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1990 Life Insurance Fact Book

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American Council of Life Insurance,
serving the public as a central source
of information about life insurance.

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FOREWORD

This 1990 edition of the Life Insurance Fact Book, which has been published since 1946, presents an overview of the year's developments in the life insurance business through text, tables and charts. Recognizing its continuing commitment to public accountability, the industry again is making available annual data on the performance of the life insurance business.

This is the first full edition of the Fact Book that incorporates both data tables and text that appeared in Pension Facts, which was discontinued in 1988. The Historic Dates and Glossary sections also now include pension items.

Since it is not possible to include all of the data collected on a quarterly or annual basis by the Council, readers are invited to write to Industry Statistics for additional material. Comments are always welcome.

SUZANNE K. STEMNOCK
Program Director
Industry Statistics

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KEY LIFE INSURANCE STATISTICS

	1979	1988	1989	% Change 1988–87	% Change 1989–88
LIFE INSURANCE IN FORCE IN THE UNITED STATES (000,000 omitted)					
Ordinary	$1,585,878	$4,511,608	$4,939,964	9.0	9.5
Group	1,419,418	3,232,080	3,469,498	6.2	7.3
Industrial	37,794	25,456	24,446	– 4.5	– 4.0
Credit	179,250	251,015	260,107	3.3	3.6
Total	$3,222,340	$8,020,159	$8,694,015	7.6	8.4
AVERAGE AMOUNTS OF LIFE INSURANCE IN FORCE IN THE UNITED STATES					
Per Household	$ 41,700	$ 87,600	$ 93,600	5.8	6.8
Per Insured Household	$ 50,800	$ 108,200	$ 115,500	5.9	6.7
LIFE INSURANCE PURCHASES IN THE UNITED STATES (000,000 omitted)					
Ordinary	$ 329,571	$ 995,686	$1,020,719	0.9	2.5
Group	157,906	410,848	420,707	12.4	2.4
Industrial	5,335	320	252	– 1.2	–21.3
Total	$ 492,812	$1,406,854	$1,441,678	4.0	2.5
BENEFIT PAYMENTS IN THE UNITED STATES (000,000 omitted)					
Payments to Beneficiaries	$ 11,766	$ 21,660	$ 23,261	5.5	7.4
Payments to Policyholders	13,071	26,766	27,557	0.7	3.0
Payments to Annuitants	7,548	25,665	29,383	5.5	14.5
Total	$ 32,385	$ 74,091	$ 80,201	3.7	8.2
PREMIUM RECEIPTS OF U.S. LIFE INSURANCE COMPANIES (000,000 omitted)					
Life Insurance	$ 39,083	$ 73,531	$ 73,290	– 4.2	– 0.3
Annuity Considerations	17,939	103,278	114,997	16.5	11.3
Health Insurance	27,894	52,306	56,079	10.0	7.2
Total	$ 84,916	$ 229,115	$ 244,366	7.6	6.7
ASSETS OF U.S. LIFE INSURANCE COMPANIES (000,000 omitted)					
Government Securities	$ 29,719	$ 159,781	$ 178,141	5.5	11.5
Corporate Bonds	168,990	480,313	538,063	18.4	12.0
Stocks	39,757	104,373	125,614	8.1	20.4
Mortgages	118,421	232,863	254,215	9.1	9.2
Real Estate	13,007	37,371	39,908	9.4	6.8
Policy Loans	34,825	54,236*	57,439	1.1	5.9
Other Assets	27,563	97,933	106,376	9.3	8.6
Total	$ 432,282	$1,166,870	$1,299,756	11.7	11.4
NET RATE OF INVESTMENT INCOME OF U.S. LIFE INSURANCE COMPANIES (BEFORE FEDERAL INCOME TAXES)					
Including Separate Accounts	7.73%	9.03%	9.10%	—	—
Excluding Separate Accounts	7.78%	9.41%	9.47%	—	—

*Excludes some $600 million of policy loans securitized during 1988.

Source: American Council of Life Insurance.

LIFE INSURANCE IN 1989

Purchases of life insurance in 1989 were $1.4 trillion, about the same as in 1988. Sales of ordinary life insurance accounted for nearly three-quarters of that amount. Universal and variable life insurance accounted for 24% of ordinary sales, down from a high of 40% in 1985. Traditional whole life was 35%, up from 25% just two years earlier.

Life insurance in force reached an all-time high—$8,694 billion, up 8.4% from 1988. The average amount of life insurance per household was $93,600, $6,000 more than in 1988.

Life insurance was owned by 81% of American households; the average amount of life insurance owned by insured households was $115,500.

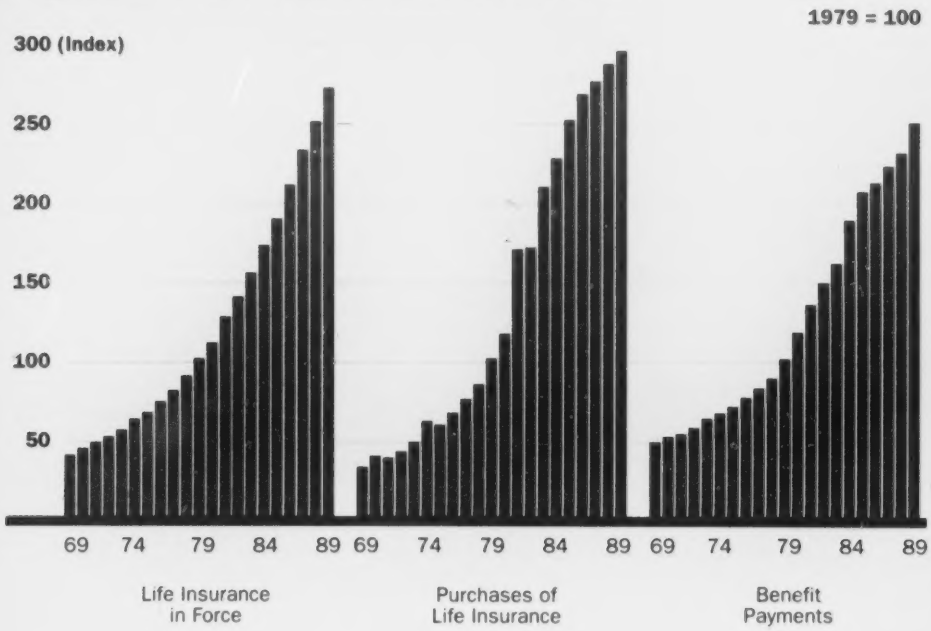
Some 70% of adult Americans owned some form of life insurance—most through legal reserve life insurance companies. Overall, some 156 million Americans have life insurance coverage.

Total premium receipts for all legal reserve life insurance companies increased 6.7%, to $244.4 billion.

Benefit payments—excluding health insurance—reached a record $80.2 billion, up 8.2%. Payments to beneficiaries in 1988 totaled $23.3 billion. Some $27.5 billion was paid to life insurance policyholders and $29.4 billion to annuitants.

Assets of U.S. life insurance companies were $1.3 trillion at year-end 1989. This was an increase of $132.9 billion, or 11.4%, from 1988 year-end.

Relative Growth of Life Insurance in Force, Purchases of Life Insurance and Benefit Payments in the United States 1969-1989



Policy loans outstanding rose slightly in 1989, and totaled $57.4 billion. They accounted for 4.4% of assets—the lowest proportion since 1965.

The largest percentage increase in investments was in stocks, up 20.4% over year-end 1988.

The net rate of investment earnings (excluding separate accounts) edged upward to 9.47% before federal taxes.

Other highlights of the life insurance business in 1989 include:

- Dollar volume of payments to beneficiaries increased 7.4% over 1988. The average death benefit payment went up 8.3%.
- Annuity premiums accounted for nearly one-half of total premiums in 1989.
- Policy reserves exceeded $1 trillion in 1989, 29.9% of which were life insurance reserves.
- Separate account assets totaled $146.2 billion at the end of 1989, a 17.6% increase over 1988. Bond holdings were $43.4 billion in 1989. Common stock holdings exceeded bond holdings by $22.2 billion.

LIFE INSURANCE PURCHASES

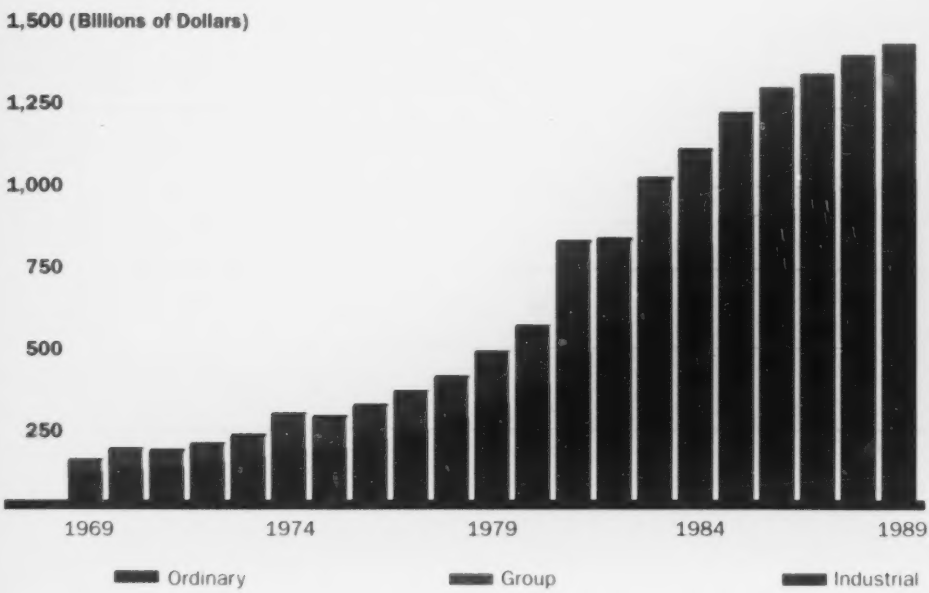
Americans purchased $1,441.7 billion of new life insurance in 1989. During 1988, purchases totaled $1,406.9 billion.

People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years. Some 71% of new life insurance protection purchased in the United States in 1989 was bought on an individual basis—that is, by personal or family decision—usually through a life insurance agent. Purchases of ordinary life insurance increased in 1989, totaling $1,020.7 billion, an increase of 2.5% for the year. This follows an increase of less than 1% in 1988.

Purchases of industrial life insurance, the other type of individual coverage, came to $252 million in 1989, a decrease of $68 million from 1988. Group purchases totaled $420.7 billion. This was $9.9 billion more than the 1988 total, up 2.4%. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1989 included $7.7 billion of new group coverage for employees' dependents.

Of the nearly 30 million new life insurance policies and certificates issued during the year, 14.7 million were ordinary policies, 156,000 were industrial policies and 15.1 million were group certificates.

Life Insurance Purchases in the United States



Purchases of Ordinary Life Insurance in the United States by State

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired (000,000 omitted)

State	1983	1984	1985	1986	1987	1988	1989
Alabama	$ 14,283	$ 15,424	$ 16,695	$ 16,613	$ 17,626	$ 15,436	$ 18,038
Alaska	1,684	1,895	2,118	2,138	2,110	2,438	1,822
Arizona	10,265	11,086	12,967	13,909	15,033	14,367	13,779
Arkansas	6,528	6,501	6,903	6,983	7,022	7,174	7,401
California	88,413	91,273	105,211	110,160	121,222	122,886	127,828
Colorado	13,756	14,966	15,895	15,365	16,678	16,370	15,630
Connecticut	11,325	12,203	14,424	15,035	16,896	17,134	20,565
Delaware	2,122	2,550	2,395	2,636	2,750	3,700	3,414
D.C.	2,430	2,586	3,187	2,877	2,022	1,893	2,005
Florida	36,306	39,922	43,894	45,291	50,211	51,720	54,637
Georgia	22,032	24,384	27,663	28,577	30,612	30,445	35,264
Hawaii	3,846	4,339	5,024	4,873	5,043	5,252	5,084
Idaho	3,288	3,329	3,558	3,531	3,563	3,915	3,358
Illinois	35,624	38,566	43,416	43,418	46,676	46,364	47,119
Indiana	16,372	17,436	19,267	19,477	20,571	19,786	19,594
Iowa	10,149	10,732	11,052	10,260	10,447	9,997	10,039
Kansas	8,977	9,554	10,886	10,495	11,136	10,271	10,321
Kentucky	9,213	10,220	11,295	11,722	11,641	12,121	11,567
Louisiana	17,756	19,139	20,799	19,988	20,593	20,081	19,349
Maine	3,038	3,017	3,582	3,359	3,624	4,063	3,912
Maryland	13,958	15,828	18,049	19,151	21,159	22,360	22,711
Massachusetts	15,990	17,722	20,056	21,943	23,956	24,325	25,148
Michigan	22,372	24,420	26,850	27,541	27,802	28,515	27,681
Minnesota	13,481	14,093	15,750	16,044	16,429	16,382	17,213
Mississippi	7,498	7,999	8,971	8,859	9,013	8,960	9,384
Missouri	14,754	16,197	18,038	17,982	18,600	19,034	19,345
Montana	2,779	2,758	2,963	2,749	2,597	2,465	2,157
Nebraska	6,137	7,011	7,118	6,969	6,698	7,087	6,550
Nevada	2,779	2,909	3,608	3,704	3,975	4,137	4,381
New Hampshire	2,828	3,265	3,669	4,076	4,385	5,057	5,083
New Jersey	24,470	29,238	30,989	32,929	37,626	36,812	40,215
New Mexico	4,142	4,194	4,630	4,734	4,791	4,989	4,686
New York	47,190	54,245	60,552	65,316	69,693	71,732	76,501
North Carolina	20,263	23,685	24,845	26,063	26,606	27,964	29,197
North Dakota	2,911	2,857	2,911	2,613	2,780	2,345	2,733
Ohio	31,691	35,088	37,589	38,329	40,061	40,645	38,769
Oklahoma	11,510	11,688	13,151	12,113	11,695	11,328	10,950
Oregon	7,437	7,480	8,075	7,992	8,576	9,056	8,805
Pennsylvania	31,949	35,193	40,024	42,201	45,079	44,839	49,696
Rhode Island	2,909	3,204	3,644	3,571	3,939	3,931	4,131
South Carolina	10,852	11,969	13,379	14,012	14,739	17,123	15,334
South Dakota	2,625	2,818	3,185	2,958	3,155	2,764	2,594
Tennessee	14,912	16,243	17,641	19,234	18,948	19,638	21,080
Texas	63,524	70,140	78,953	77,642	77,458	75,852	72,835
Utah	7,059	7,281	7,343	7,661	7,835	7,888	7,565
Vermont	1,247	1,536	1,709	1,846	1,845	1,914	2,016
Virginia	17,973	20,182	21,537	22,766	24,897	25,732	25,482
Washington	13,351	13,057	14,632	14,985	15,632	16,374	16,461
West Virginia	3,849	4,160	3,971	4,243	4,265	4,265	4,110
Wisconsin	11,887	13,034	15,079	14,915	15,193	15,244	15,605
Wyoming	1,710	1,699	1,802	1,744	1,757	1,516	1,575
Total U.S.	$753,444	$820,315	$910,944	$933,592	$986,660	$995,686	$1,020,719

Note: The series includes mass-marketed ordinary insurance. Data include long-term individual credit insurance.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases in the United States

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired

	Ordinary		Group		Industrial		Total	
Year	Policies (000 omitted)	Amount (000,000 omitted)	Certificates (000 omitted)	Amount (000,000 omitted)	Policies (000 omitted)	Amount (000,000 omitted)	Number (000 omitted)	Amount (000,000 omitted)
1940	3,855	$ 6,689	285	$ 691	14,017	$3,350	18,157	$ 10,730
1945	4,343	9,859	681	1,265	11,869	3,430	16,893	14,554
1950	5,279	17,326	2,631	6,068	14,924	5,402	22,834	28,796
1955	7,572	30,827	2,217	11,258*	14,356	6,342	24,145	48,427*
1960	8,734	52,883	3,734	14,645	12,287	6,880	24,755	74,408
1965	9,937	83,485	7,007	51,385†	10,492	7,296	27,436	142,166†
1970	10,968	122,820	5,219	63,690†	7,582	6,612	23,769	193,122†
1975	12,549	188,003	8,146	95,190†	6,397	6,729	27,092	289,922†
1976	13,219	213,784	9,145	104,683	5,962	6,382	28,326	324,849
1977	13,679	247,453	9,599	115,839	5,859	6,504	29,137	369,796
1978	13,987	283,067	9,267	125,129	5,445	6,015	28,699	414,211
1979	14,259	329,571	9,245	157,906	4,457	5,335	27,961	492,812
1980	14,750	385,575	11,379	183,418	2,878	3,609	29,007	572,602
1981	15,838	481,895	11,923	346,702*†	1,791	2,517	29,552	831,114*†
1982	15,614	585,444	11,930	250,532	1,350	1,898	28,894	837,874
1983	17,737	753,444	13,450	271,609	834	1,388	32,021	1,026,441
1984	17,695	820,315	14,605	293,521	712	943	33,012	1,114,779
1985	17,104	910,944	16,243	319,503	533	722	33,880	1,231,169
1986	16,811	933,592	17,507	374,741*†	305	418	34,623	1,308,751*†
1987	16,225	986,660	16,698	365,529	230	324	33,153	1,352,513
1988	15,579	995,686	15,793	410,848	217	320	31,589	1,406,854
1989	14,694	1,020,719	15,110	420,707	156	252	29,960	1,441,678

Note: Figures from 1940–1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $84.4 billion in 1981, and $10.8 billion in 1986.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $1.7 billion in 1975, $45.6 billion in 1981, and $51.0 billion in 1986.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Variable, Universal and Flexible Premium Variable Life Insurance Purchases in the United States (000 omitted)

	Variable Life Insurance		Universal Life Insurance		Flexible Premium Variable Life Insurance	
Year	Policies	Amount	Policies	Amount	Policies	Amount
1983	178	$ 7,356,000	1,185	$ 92,499,000	—	—
1984	223	9,279,000	2,551	204,583,000	*	**
1985	186	8,833,000	3,545	289,926,000	101	$ 6,807,000
1986	200	11,061,000	3,949	301,951,000†	259	20,736,000
1987	205	14,661,000	3,726	273,148,000	410	37,198,000
1988	124	9,025,000	3,508	269,811,000	343	37,430,000
1989	74	6,498,000	3,437	275,207,000	320	35,933,000

Note: Excludes reinsurance assumed.

*Fewer than 500.

**Less than $500,000.

†Includes current assumption whole life.

Source: American Council of Life Insurance.

The average size of the ordinary policies being bought continues to increase. In 1979, for example, the average new ordinary policy was $23,110; by 1984, the amount had increased to $46,360; in 1988, to $63,910; and in 1989, to $69,470.

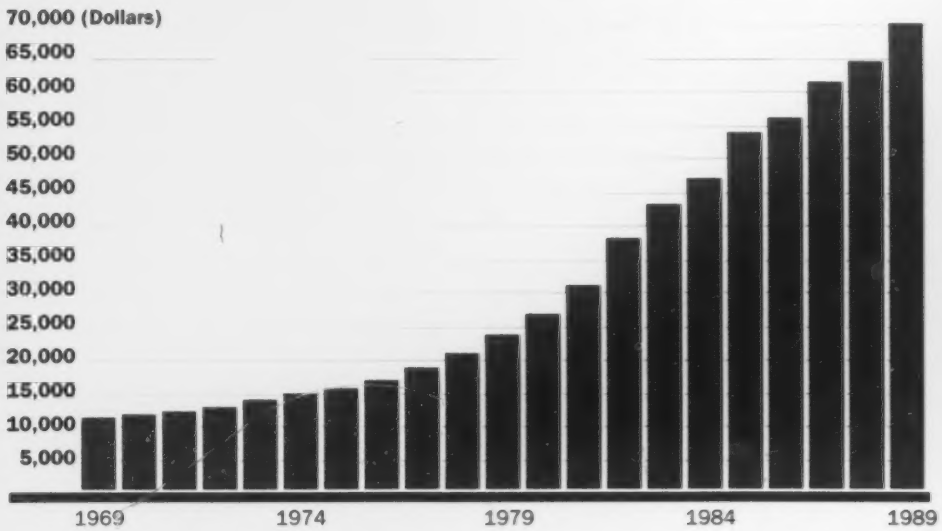
A sample survey of ordinary life insurance purchased by Americans in 1989 showed that 49% of all new policies sold were for people between the ages of 25 and 44—the "Baby Boom" population.

An analysis of sales of ordinary life insurance had shown a continuing shift to term insurance, beginning in the 1950s. In 1983, however, there was a shift to whole life, reflecting the introduction of variable and universal life insurance and later, flexible premium variable. Whole life continues to account for the largest percentage of face amount sold, but a growing proportion is traditional whole life rather than interest-sensitive products. In 1989 universal and variable products were 24% of volume sold, compared with 32% in 1984 and 1987, and 28% in 1988.

Traditional whole life coverages were 35% of face amount in 1989, up from 25% just two years earlier. Term insurance dropped from a peak of 60% of volume in 1982 to 41% for 1989.

In terms of the number of policies sold, term insurance accounted for 20% in 1989, down from 25% in 1987. Variable and universal policies dropped from 26% of sales in 1987 to 18% in 1989. Traditional whole life and combination sales continued to increase, to 62% of policies in 1989, but were still below the 69% share of 1982.

Average Size Ordinary Life Insurance Policy Purchased in the United States



Analysis of Ordinary Life Insurance Purchases in the United States

	% of Policies		% of Amount	
	1979	1989	1979	1989
SEX OF INSURED				
Male Insureds Under 15	8	7	3	3
Female Insureds Under 15	7	7	2	2
Male Adults	54	48	75	68
Female Adults	31	38	20	27
Total	100	100	100	100
AGE OF INSURED				
Under 15	15	15	5	5
15–24	27	14	19	8
25–34	32	28	41	34
35–44	15	21	23	32
45–54	7	11	9	14
55 and over	4	11	3	7
Total	100	100	100	100
INCOME OF INSURED*				
Under $5,000	1	†	†	†
$5,000–$7,499	8	2	3	†
$7,500–$9,999	13	3	6	1
$10,000–$24,999	61	39	53	20
$25,000–$49,999	13	36	24	34
$50,000–$99,999	3	14	10	25
$100,000 or more	1	6	4	20
Total	100	100	100	100
SIZE OF POLICY				
Under $2,000	4	2	†	†
$2,000–$4,999	9	6	1	†
$5,000–$9,999	16	11	3	1
$10,000–$24,999	35	22	17	4
$25,000–$49,999	20	14	22	6
$50,000–$99,999	10	19	23	16
$100,000–$300,000	6	23	29	51
$300,001 or more	†	3	5	22
Total	100	100	100	100
TYPE OF POLICY				
Straight Life	36	37	26	21
Limited Payment Life	14	11	5	3
Endowment and Retirement Income	5	†	2	†
Modified Life	5	4	5	2
Level, Decreasing and Modified Term	19	18	39	38
Family Plan	1	—	1	—
with Additional Term	†	—	†	—
Regular Policy with F/P Rider	5	7	5	4
and Additional Term	2	1	3	1
Universal Life	—	10	—	13
with Rider	—	2	—	3
Variable Life	—	1	—	†
with Rider	—	†	—	†
Variable-Universal	—	4	—	7
with Rider	—	1	—	1
Combination	12	4	14	6
Progressive and Other	1	†	†	1
Total	100	100	100	100

Note: Figures exclude credit life insurance and single premium policies.

*Ages 0–14 and persons reporting less than $3,000 income are excluded.

†Less than 0.5%.

Source: Life Insurance Marketing and Research Association.

The shares of both the percentage of policies and face amount sold on women's lives continued to increase. The ratio of adult men to adult women with new coverage narrowed from 54:30 in 1979 to 48:38 in 1989. Measured by face amounts, the ratios of men to women were 75:20 in 1979 and 68:27 in 1989.

The average size policy purchased on women's lives has been increasing faster than for men, although the rates of increase were much closer than in any recent year. According to the 1989 survey, the average size policy on women increased by 161% in 10 years, compared to 146% for men.

Distribution of Ordinary Life Insurance Purchases in the United States by Plan of Insurance

	Percent of Amount				Percent of Policies*			
Year	Whole Life	Other Permanent**	Term	Total	Whole Life	Other Permanent**	Term	Total
1955	57%	9%	34%	100%	72%	22%	6%	100%
1960	54	5	41	100	77	14	9	100
1965	53	6	41	100	79	11	10	100
1970	54	5	41	100	82	8	10	100
1975	48	7	45	100	77	8	15	100
1976	47	5	48	100	76	7	17	100
1977	47	3	50	100	77	7	16	100
1978	45	3	52	100	75	6	19	100
1979	45	2	53	100	76	4	20	100
1980	42	1	57	100	75	3	22	100
1981	40	1	59	100	75	2	23	100
1982	40	†	60	100	75	1	24	100
1983	47	†	53	100	76	1	23	100
1984	55	†	45	100	76	1	23	100
1985	62	†	38	100	78	†	22	100
1986	61	†	39	100	77	†	23	100
1987	57	†	43	100	75	†	25	100
1988	61	†	39	100	81	†	19	100
1989	59	†	41	100	80	†	20	100

*Policies that include both permanent and term insurance are classified as whole life policies.

**Includes endowment and retirement income policies.

†Less than 0.5%.

Source: Life Insurance Marketing and Research Association.

Life Insurance Purchases in U.S. Life Insurance Companies

Exclusive of Revivals, Increases and Dividend Additions (000,000 omitted)

Year	Ordinary	Group	Industrial	Total
1921	$ 6,248	$ 128	$1,581	$ 7,957
1925	10,060	1,075	3,143	14,278
1930	11,905	1,381	3,979	17,265
1935	7,550	715	4,033	12,298
1940	7,022	747	3,318	11,087
1945	10,577	1,302	3,512	15,391
1950	18,260	6,237	5,492	29,989
1955	32,207	11,637*	6,399	50,243*
1960	56,183	15,328	6,906	78,417
1965	89,643	52,867†	7,302	149,812†
1970	134,802	65,381†	6,612	206,795†
1975	207,052	102,659†	6,741	316,452†
1976	233,583	112,232	6,382	352,197
1977	277,310	123,844	6,504	407,658
1978	304,136	127,735	6,015	437,886
1979	359,147	162,343	5,335	526,825
1980	461,553	189,558	3,609	654,720
1981	700,125	435,982*†	2,517	1,138,624*†
1982	661,061	256,920	1,898	919,879
1983	971,866	305,528	1,481	1,278,875
1984	1,074,309	314,957	958	1,390,224
1985	1,186,814	342,198	797	1,529,809
1986	1,177,773	399,506*†	418	1,577,697*†
1987	1,267,279	388,290	442	1,656,011
1988	1,287,144	428,329	443	1,715,916
1989	1,343,128	444,161	252	1,787,541

Note: Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or some other country. Figures from 1921–1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $81.5 billion in 1981, and $10.8 billion in 1986.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $1.7 billion in 1975, $44.5 billion in 1981, and $50.8 billion in 1986.

Sources: *Spectator Year Book*, American Council of Life Insurance and Life Insurance Marketing and Research Association.

LIFE INSURANCE OWNERSHIP

Life insurance in force in the United States reached a new high of $8,694.0 billion at the end of 1989, an increase of $673.9 billion, or 8.4%, over year-end 1988.

If this were divided equally among all American households, each would have had $93,600 of protection on members of the household at year-end. Excluding households without any life insurance, the average for insured households was about $115,500. Despite significant increases in the amount of coverage, protection for all households was equal to about 28 months of total disposable personal income per household at the end of 1989.

The South Atlantic section of the country had the largest amount of coverage, with $1,523.4 billion of life insurance in force there at year-end 1989. The East North Central followed with $1,486.1 billion. By state, California had the largest total, $949.4 billion, and New York ranked second with $692.9 billion. The District of Columbia exceeded all states in ownership per household with an average of $226,000 of insurance per household; Delaware was in second place with $146,600 per household.

Life Insurance in Force in the United States by State 1989

Life Insurance in Force in the United States (000,000 omitted)

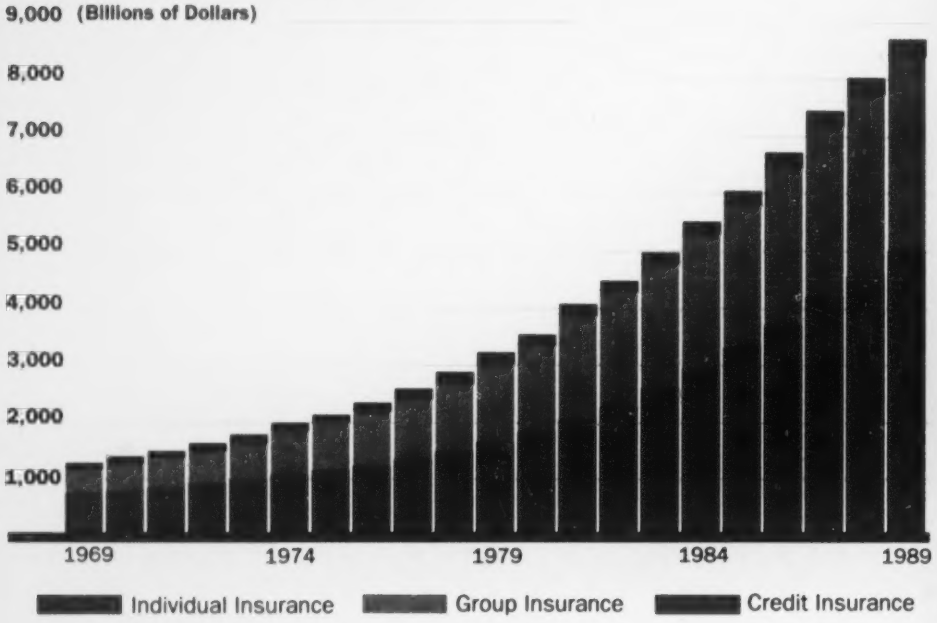
	Ordinary		Group		Industrial		Credit		Total	
Year	No.	Amount	Cert.	Amount	No.	Amount	No.†	Amount	No.	Amount
1900	3	$ 6,124	—	—	11	$ 1,449	—	—	14	$ 7,573
1905	5	9,585	—	—	17	2,278	—	—	22	11,863
1910	6	11,783	—	—	23	3,125	—	—	29	14,908
1915	9	16,650	*	$ 100	32	4,279	—	—	41	21,029
1920	16	32,018	2	1,570	48	6,948	*	$ 4	66	40,540
1925	23	52,892	3	4,247	71	12,318	*	18	97	69,475
1930	32	78,576	6	9,801	86	17,963	*	73	124	106,413
1935	33	70,684	6	10,208	81	17,471	1	101	121	98,464
1940	37	79,346	9	14,938	85	20,866	3	380	134	115,530
1945	48	101,550	12	22,172	101	27,675	2	365	163	151,762
1950	64	149,116	19	47,793	108	33,415	11	3,844	202	234,168
1951	67	159,109	21	54,398	109	34,870	12	4,763	209	253,140
1952	70	170,875	24	62,913	111	36,448	14	6,355	219	276,591
1953	73	185,007	26	72,913	112	37,781	18	8,558	229	304,259
1954	76	198,599	29	86,410	111	38,664	21	10,046	237	333,719
1955	80	216,812	32	101,345	112	39,682	28	14,493	252	372,332
1956	83	238,348	35	117,399	110	40,109	32	16,774	260	412,630
1957	87	264,949	37	133,905	108	40,139	34	19,366	266	458,359
1958	89	288,607	39	144,772	104	39,646	35	20,536	267	493,561
1959	93	317,158	41	160,163	102	39,809	38	24,998	274	542,128
1960	95	341,881	44	175,903	100	39,563	43	29,101	282	586,448
1961	97	366,141	46	192,794	98	39,451	45	31,107	286	629,493
1962	99	391,048	49	209,950	95	39,638	47	35,341	290	675,977
1963	102	420,808	51	229,477	93	39,672	52	40,666	298	730,623
1964	104	457,868	55	253,620	92	39,833	58	46,487	309	797,808
1965	107	499,638	61	308,078	89	39,818	63	53,020	320	900,554
1966	109	541,022	65	345,945	88	39,663	69	58,059	331	984,689
1967	113	584,570	69	394,501	84	39,215	70	61,535	336	1,079,821
1968	116	633,392	73	442,778	81	38,827	75	68,357	345	1,183,354
1969	118	682,453	76	488,864	79	38,614	78	74,598	351	1,284,529
1970	120	734,730	80	551,357	77	38,644	78	77,392	355	1,402,123
1971	123	792,318	82	589,883	76	39,202	76	81,931	357	1,503,334
1972	126	853,911	85	640,689	76	39,975	78	93,410	365	1,627,985
1973	128	928,192	88	708,322	75	40,632	78	101,154	369	1,778,300
1974	131	1,009,038	94	827,018	71	39,441	84	109,623	380	1,985,120
1975	134	1,083,421	96	904,695	70	39,423	80	112,032	380	2,139,571
1976	137	1,177,672	100	1,002,647	67	39,175	78	123,569	382	2,343,063
1977	139	1,289,321	106	1,115,047	66	39,045	79	139,402	390	2,582,815
1978	142	1,425,095	111	1,243,994	64	38,080	84	163,081	401	2,870,250
1979	146	1,585,878	115	1,419,418	62	37,794	84	179,250	407	3,222,340
1980	148	1,760,474	118	1,579,355	58	35,994	78	165,215	402	3,541,038
1981	149	1,978,080	123	1,888,612	55	34,547	73	162,356	400	4,063,595
1982	146	2,216,388	124	2,066,361	52	32,766	67	161,144	389	4,476,659
1983	146	2,544,275	127	2,219,573	50	31,354	64	170,659	387	4,965,861
1984	145	2,887,574	127	2,392,358	47	30,104	66	189,951	385	5,499,987
1985	142	3,247,289	130	2,561,595	44	28,250	70	215,973	386	6,053,107
1986	143	3,658,203	135	2,801,049	42	27,168	71	233,859	391	6,720,279
1987	145	4,139,071	136	3,043,782	41	26,668	73	242,977	395	7,452,498
1988	144	4,511,608	138	3,232,080	39	25,456	70	251,015	391	8,020,159
1989	144	4,939,964	141	3,469,498	37	24,446	72	260,107	394	8,694,015

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Growth of Individual, Group and Credit Life Insurance in Force in the United States



The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1989 totaled $4,940.0 billion, 56.8% of all life insurance in force in the United States. The number of ordinary policies in force is over one and one-third times as many as 25 years ago, while the average size policy in force is nearly eight times as large.

Group life insurance provided $3,469.5 billion of protection at the end of 1989, an increase of $237.4 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1959, group insurance accounted for 29.5% of all insurance in force and by 1989, the ratio had reached 39.9%. This percentage, however, has been declining since 1984 and the percentage that is ordinary life insurance has been increasing.

Industrial life insurance is the type that is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased for the sixteenth straight year to a total of $24.4 billion in force at year-end 1989.

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying

Life Insurance in Force in the United States by State 1989

(Thousands of policies and millions of dollars)

State	Ordinary		Group		Industrial		Credit		Total	
	No	Amount	Cert	Amount	No	Amount	No *	Amount	No	Amount
Alabama	3,075	$ 79,333	2,533	$ 55,444	5,064	$ 2,064	1,613	$ 5,273	12,285	$ 142,114
Alaska	173	9,944	222	6,924	3	3	80	361	478	17,232
Arizona	1,436	62,948	1,722	34,754	115	102	1,408	5,628	4,681	103,432
Arkansas	1,026	34,229	1,089	18,750	237	126	514	1,910	2,866	55,015
California	10,622	556,464	14,320	377,832	1,106	969	4,510	14,144	30,558	949,409
Colorado	1,741	75,169	2,233	49,790	146	132	1,039	3,177	5,159	128,268
Connecticut	2,171	91,470	3,059	79,438	125	146	750	3,415	6,105	174,469
Delaware	472	15,324	709	19,504	117	85	516	1,732	1,814	36,645
D.C.	334	11,555	1,301	42,187	268	175	144	559	2,047	54,476
Florida	6,750	237,203	5,075	126,820	2,095	1,456	3,965	14,125	17,885	379,604
Georgia	4,599	145,686	3,612	90,442	2,139	1,277	2,531	8,959	12,881	246,364
Hawaii	617	28,440	891	15,571	3	2	394	1,626	1,905	45,639
Idaho	437	17,062	629	11,423	14	12	297	854	1,377	29,351
Illinois	8,379	245,578	7,636	192,104	1,409	1,234	2,587	9,352	20,011	448,268
Indiana	3,822	105,573	3,834	75,046	739	595	1,804	5,850	10,199	187,064
Iowa	2,181	63,128	1,561	33,506	108	102	802	2,420	4,652	99,156
Kansas	1,698	56,869	1,446	31,776	160	135	660	2,444	3,964	91,224
Kentucky	2,404	58,615	1,708	38,493	935	567	1,190	4,129	6,237	101,804
Louisiana	2,433	86,518	1,983	43,769	2,440	1,501	1,222	4,113	8,078	135,901
Maine	651	19,946	610	13,485	44	50	343	1,415	1,648	34,896
Maryland	3,060	105,629	2,850	74,453	1,076	661	1,427	5,202	8,413	185,945
Massachusetts	3,607	126,732	3,301	101,782	316	333	1,242	5,103	8,466	233,950
Michigan	4,789	149,140	6,113	159,723	898	768	2,847	11,095	14,647	320,726
Minnesota	2,311	89,994	2,825	61,155	124	129	1,081	3,840	6,341	155,118
Mississippi	1,186	41,499	1,192	24,714	807	465	1,209	3,662	4,394	70,340
Missouri	3,606	101,859	3,159	79,328	615	479	1,273	4,416	8,653	186,082
Montana	364	13,561	512	8,146	17	13	272	1,243	1,165	22,963
Nebraska	1,174	39,079	796	19,223	58	55	430	1,468	2,458	59,825
Nevada	381	18,895	566	10,394	7	8	404	2,688	1,358	31,985
New Hampshire	696	24,482	530	13,646	43	49	473	1,761	1,742	39,938
New Jersey	4,845	189,042	4,599	148,771	758	692	1,600	7,639	11,802	346,144
New Mexico	613	22,638	715	17,201	48	36	410	1,540	1,786	41,415
New York	10,292	380,564	9,787	293,495	1,210	1,102	5,212	17,726	26,501	692,887
North Carolina	4,871	132,024	3,314	81,661	1,984	975	2,366	7,794	12,535	222,454
North Dakota	358	13,986	358	7,799	3	2	208	892	927	22,679
Ohio	7,205	204,515	6,475	155,978	1,413	1,161	3,291	13,202	18,384	374,856
Oklahoma	1,523	54,897	1,374	35,069	172	133	1,058	3,002	4,127	93,101
Oregon	1,078	41,803	1,560	33,451	58	53	573	2,175	3,269	77,482
Pennsylvania	8,853	250,284	7,289	169,440	2,072	1,867	3,899	16,355	21,913	437,946
Rhode Island	634	20,887	932	13,707	56	58	244	1,023	1,866	35,675
South Carolina	2,924	68,029	1,919	38,732	1,476	885	1,820	4,814	8,139	112,460
South Dakota	404	14,795	376	7,158	4	5	163	686	947	22,644
Tennessee	3,119	92,792	3,167	66,273	1,700	792	2,013	6,621	9,999	166,478
Texas	9,905	369,709	8,743	214,651	2,117	1,445	5,262	19,696	26,027	605,501
Utah	629	31,340	1,216	18,312	55	43	514	1,707	2,414	51,402
Vermont	358	11,097	310	6,644	20	17	191	716	879	18,474
Virginia	3,695	126,459	4,542	101,180	1,574	938	3,272	10,635	13,083	239,212
Washington	1,825	81,502	2,341	63,013	99	75	1,053	4,178	5,318	148,768
West Virginia	1,028	23,391	994	19,997	337	225	746	2,587	3,105	46,200
Wisconsin	2,952	88,856	3,247	61,386	226	243	1,396	4,738	7,821	155,223
Wyoming	259	9,430	281	5,958	4	6	98	417	642	15,811
Total U.S.	143,565	$4,939,964	141,556	$3,469,498	36,614	$24,446	72,216	$260,107	393,951	$8,694,015

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Includes group credit certificates.

Source: American Council of Life Insurance.

Life Insurance in Force in the United States By Type and Geographic Division 1989 (000,000 omitted)

Division	Ordinary	Group	Industrial	Credit	Total
New England	$ 294,614	$ 228,702	$ 653	$ 13,433	$ 537,402
Middle Atlantic	819,890	611,706	3,661	41,720	1,476,977
East North Central	793,662	644,237	4,001	44,237	1,486,137
West North Central	379,710	239,945	907	16,166	636,728
South Atlantic	865,300	594,976	6,677	56,407	1,523,360
East South Central	272,239	184,924	3,888	19,685	480,736
West South Central	545,353	312,239	3,205	28,721	889,518
Mountain	251,043	155,978	352	17,254	424,627
Pacific	718,153	496,791	1,102	22,484	1,238,530
United States	$4,939,964	$3,469,498	$24,446	$260,107	$8,694,015

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Source: American Council of Life Insurance.

the amount due. A total of $260.1 billion of credit life insurance was in force at year-end 1989.

Participating insurance accounted for $4,619.2 billion, or 44.6% of all life insurance in force with U.S. companies at the end of 1989. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premium that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $5,726.7 billion, or 55.4% of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 36.1% and nonparticipating, 63.9%, of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders and whose boards of directors are elected by their policyholders, provided $3,993.4 billion, or 38.6% of total life insurance in force with U.S. life companies at the end of 1989. Stock life insurance companies, which are owned by their stockholders, accounted for $6,347.5 billion, or 61.4% of total life insurance in force at the end of 1989. In general, mutual companies sell participating insurance and stock companies sell nonparticipating insurance. Mutual companies accounted for 50.1% of total group life. Stock life companies provided 59.5% of the total industrial life insurance in force, and they also accounted for 79.5% of credit life in force.

The data in this chapter do not include life insurance in force issued by other private insurers, including fraternal societies, and by the federal government. The total life insurance in force in the United States, including that issued by these other sources, amounted to $8.9 trillion at the end of 1989. If this amount were divided equally among American households, each would have $96,100 of coverage. An estimated 156 million people were insured by some form of life insurance at year-end 1989.

Life Insurance in Force in the United States by Plan

Plan of Insurance	1985 Number of Policies* (000 omitted)	1985 Amount (000,000 omitted)	1985 % of Amount	1989 Number of Policies* (000 omitted)	1989 Amount (000,000 omitted)	1989 % of Amount
ORDINARY						
Whole Life						
Continuous Payment	73,100	$1,745,200	53.7	79,200	$2,064,100	41.8
Limited Payment Life,						
Premium Paying	18,900	166,700	5.1	14,600	258,400	5.2
Paid-up	20,700	84,000	2.6	20,600	182,600	3.7
Endowment and Retirement						
Income with Insurance	6,700	49,500	1.6	4,100	43,900	0.9
Term						
Extended	8,200	43,700	1.4	7,300	61,200	1.2
Regular						
Decreasing	4,800	126,400	3.9	3,800	170,000	3.4
Other	10,100	780,700	24.0	14,000	1,648,200	33.4
Other						
Decreasing	—	55,300	1.7	—	77,400	1.6
Other	—	195,800	6.0	—	434,200	8.8
Total Ordinary	142,500	$3,247,300	100.0	143,600	$4,940,000	100.0
GROUP						
Term						
Decreasing	2,200	$ 58,100	2.3	3,000	$ 78,800	2.3
Other	126,600	2,494,600	97.4	137,100	3,360,500	96.8
Whole Life						
Premium Paying	500	6,400	0.2	800	27,100	0.8
Other	600	2,000	0.1	600	2,500	0.1
Endowment and Retirement						
Income with Insurance	†	500	††	100	600	††
Total Group	129,900	$2,561,600	100.0	141,600	$3,469,500	100.0
INDUSTRIAL						
Whole Life						
Continuous Payment	5,200	$ 3,500	12.4	3,200	$ 1,600	6.6
Limited Payment Life,						
Premium Paying	6,600	4,900	17.4	3,800	2,400	9.8
Paid-up	25,200	15,300	54.2	24,700	17,400	71.3
Endowment	2,500	1,300	4.6	1,400	700	2.9
Term						
Extended	4,500	3,000	10.6	3,500	2,200	9.0
Other	†	200	0.8	†	100	0.4
Total Industrial	44,000	$ 28,200	100.0	36,600	$ 24,400	100.0
CREDIT (TERM)	69,800	$ 216,000	100.0	72,200	$ 260,100	100.0
TOTAL LIFE INSURANCE IN FORCE	386,200	$6,053,100	100.0	394,000	$8,694,000	100.0

Note: "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. "Credit" is limited to life insurance on loans of 10 years' or less duration. In 1989, there were 3,300,000 ordinary policies in force under reduced paid-up options which totaled $9,800,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%.

Source: American Council of Life Insurance.

A survey of life insurance in force by plan at year-end 1989 showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1985 by 23.7%, reaching $21,900 in 1989. As a percentage of total ordinary in force, whole life decreased from 61.4% in 1985 to 50.7% in 1989. Endowment and retirement income policies declined, accounting for 0.9% of the ordinary in force in 1989, compared with 1.6% in 1985. During the same time period, ordinary term plans increased as a share of the total, from 37.0% to 48.4%.

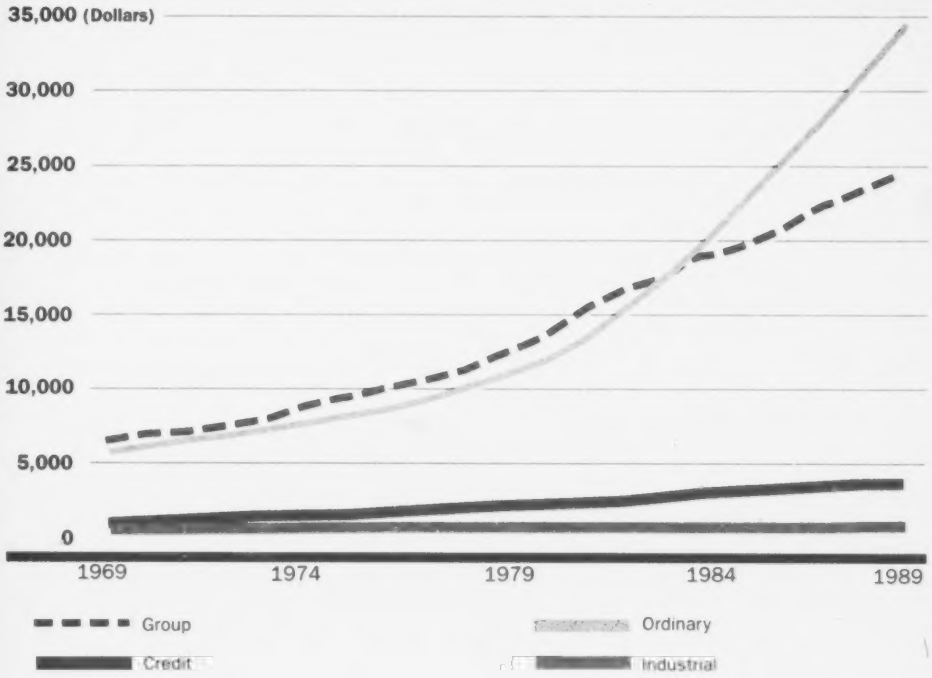
Average Size Life Insurance Policy in Force in the United States

Year	Ordinary	Group	Industrial	Credit
1920	$ 1,990	$ 960	$150	$ 200
1930	2,460	1,700	210	200
1940	2,130	1,700	240	150
1950	2,320	2,480	310	360
1960	3,600	4,030	390	680
1965	4,660	5,060	450	850
1966	4,940	5,360	450	840
1967	5,150	5,730	470	870
1968	5,450	6,070	480	910
1969	5,770	6,470	490	950
1970	6,110	6,910	500	1,000
1971	6,440	7,170	520	1,080
1972	6,790	7,530	530	1,190
1973	7,230	8,010	540	1,300
1974	7,690	8,840	550	1,310
1975	8,090	9,360	570	1,410
1976	8,610	10,010	580	1,580
1977	9,240	10,550	590	1,760
1978	10,010	11,260	600	1,950
1979	10,890	12,350	610	2,120
1980	11,920	13,410	620	2,110
1981	13,310	15,400	630	2,220
1982	15,140	16,630	630	2,410
1983	17,380	17,530	630	2,650
1984	19,970	18,780	630	2,880
1985	22,780	19,720	640	3,100
1986	25,540	20,720	650	3,310
1987	28,510	22,380	650	3,330
1988	31,390	23,410	660	3,570
1989	34,410	24,510	670	3,600

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Average Size Life Insurance Policy in Force in the United States



Life Insurance and Disposable Personal Income Per Household in the United States

Year	Life Insurance Per Insured Household	Life Insurance Per Household	Disposable Personal Income Per Household	Year	Life Insurance Per Insured Household	Life Insurance Per Household	Disposable Personal Income Per Household
1930	N.A.	$ 3,600	$ 2,400	1975	$ 36,200	$30,100	$16,100
1940	N.A.	3,300	2,100	1976	38,700	32,200	17,200
1950	N.A.	5,400	4,800	1977	42,000	34,800	18,600
1955	N.A.	7,800	5,800	1978	45,500	37,800	20,400
1960	$13,400	11,100	6,800	1979	50,800	41,700	22,400
1965	18,900	15,700	8,500	1980	53,500	43,800	23,700
1966	20,300	16,900	9,000	1981	60,200	49,300	25,800
1967	22,000	18,200	9,500	1982	66,200	53,600	27,100
1968	23,400	19,500	10,000	1983	73,100	59,200	28,900
1969	24,900	20,600	10,600	1984	79,600	64,500	31,300
1970	26,600	22,100	11,300	1985	86,100	69,700	32,700
1971	28,000	23,200	12,000	1986	93,800	76,000	34,100
1972	29,400	24,400	12,600	1987	102,200	82,800	35,600
1973	31,400	26,100	13,900	1988	108,200	87,600	38,000
1974	34,200	28,400	14,900	1989	115,500	93,600	40,700

Note: The numbers of households used to compute this table are those reported by the U.S. Bureau of the Census. These numbered 92,717,000 on July 1, 1989. The average amounts shown are arithmetic means.

N.A.—Not available.

Sources: *Spectator Year Book*, American Council of Life Insurance, Life Insurance Marketing and Research Association, U.S. Bureau of the Census and U.S. Department of Commerce.

Average Amount of Life Insurance in Force Per Household by State and by Region 1989

State	Amount	State	Amount	Region	Amount
Alabama	$ 93,600	Montana	$ 74,800	Northeast	$105,100
Alaska	95,700	Nebraska	96,200	New England	109,300
Arizona	79,400	Nevada	72,400	Middle Atlantic	103,700
Arkansas	60,300	New Hampshire	96,700		
California	89,700	New Jersey	121,100	Midwest	93,400
Colorado	100,100	New Mexico	75,600	E.N. Central	93,600
Connecticut	144,100	New York	101,300	W.N. Central	93,200
Delaware	146,600	North Carolina	89,100		
D.C.	226,000	North Dakota	91,800	South	90,500
Florida	74,900	Ohio	90,400	South Atlantic	93,000
Georgia	104,300	Oklahoma	74,500	E.S. Central	84,000
Hawaii	126,400	Oregon	68,800	W.S. Central	90,200
Idaho	79,300	Pennsylvania	96,500		
Illinois	102,600	Rhode Island	94,900	West	87,200
Indiana	89,000	South Carolina	90,300	Mountain	85,600
Iowa	90,400	South Dakota	83,600	Pacific	87,700
Kansas	94,500	Tennessee	88,500		
Kentucky	72,900	Texas	98,700	United States	93,600
Louisiana	87,000	Utah	96,300		
Maine	74,400	Vermont	85,500		
Maryland	107,500	Virginia	105,200		
Massachusetts	104,700	Washington	79,700		
Michigan	93,700	West Virginia	65,300		
Minnesota	94,400	Wisconsin	84,300		
Mississippi	75,700	Wyoming	89,300		
Missouri	93,600				

Note: A "household" is defined by the U.S. Bureau of the Census as consisting of all persons who occupy a housing unit; a "housing unit" is a house, an apartment or other group of rooms, or a single room that is occupied or intended for occupancy as separate living quarters.

Source: American Council of Life Insurance and U.S. Bureau of the Census.

Life Insurance in Force in U.S. Life Insurance Companies

(000,000 omitted)

Year	Ordinary		Group		Industrial		Credit		Total	
	No.	Amount	Cert.	Amount	No.	Amount	No.†	Amount	No.	Amount
1900	3	$ 7,093	N.A.	N.A.	11	$ 1,469	N.A.	N.A.	14	$ 8,562
1905	5	11,054	N.A.	N.A.	17	2,310	N.A.	N.A.	22	13,364
1910	7	13,227	N.A.	N.A.	23	3,177	N.A.	N.A.	30	16,404
1915	10	18,249	*	$ 100	33	4,428	N.A.	N.A.	43	22,777
1920	16	33,451	2	1,636	50	7,190	*	$ 4	68	42,281
1925	24	54,549	3	4,299	74	12,824	*	18	101	71,690
1930	33	79,729	6	9,859	89	18,287	*	73	128	107,948
1935	33	71,937	6	10,395	84	18,297	1	101	124	100,730
1940	38	81,006	9	15,063	87	21,344	3	381	137	117,794
1945	49	104,355	12	22,501	104	28,497	2	370	167	155,723
1950	66	154,394	22	49,330	111	34,391	11	3,903	210	242,018
1955	83	225,554	35	105,657	115	40,798	33	17,072	266	389,081
1960	99	355,608	51	187,323	102	40,446	56	34,812	308	618,189
1965	111	522,694	75	330,836	91	40,498	82	64,595	359	958,623
1970	125	777,163	98	593,675	78	39,179	102	96,455	403	1,506,472
1971	128	839,767	102	639,441	77	39,708	98	101,427	405	1,620,343
1972	131	906,255	103	697,422	77	40,455	102	116,218	413	1,760,350
1973	134	983,388	108	772,134	76	41,087	99	125,702	417	1,922,311
1974	137	1,071,369	112	896,505	72	39,877	105	136,829	426	2,144,580
1975	140	1,153,160	116	978,920	70	39,825	102	140,378	428	2,312,283
1976	144	1,257,738	119	1,082,217	68	39,574	98	151,238	429	2,530,767
1977	147	1,382,356	122	1,[illegible]107	67	39,418	100	168,798	436	2,788,679
1978	151	1,535,982	127	1,[illegible]623	64	38,444	107	199,464	449	3,107,513
1979	156	1,722,106	133	1,529,910	62	38,211	107	217,268	458	3,507,495
1980	216	2,086,569	138	1,719,284	62	40,061	102	210,019	518	4,055,933
1981	264	2,571,344	189	2,155,637	60	39,050	101	211,773	614	4,977,804
1982	252	2,861,783	201	2,346,642	67	41,345	92	210,205	612	5,459,975
1983	243	3,234,716	223	2,531,573	64	39,698	85	219,553	615	6,025,540
1984	208	3,625,164	173	2,567,012	58	34,402	90	246,254	529	6,472,832
1985	196	4,095,996	152	2,730,424	54	31,362	95	278,044	497	7,135,826
1986	176	4,510,761	160	2,973,083	51	30,226	95	302,254	482	7,816,324
1987	182	5,141,422	164	3,381,058	45	28,533	98	313,670	489	8,864,683
1988	190	5,687,059	171	3,665,937	42	26,604	94	312,732	497	9,692,332
1989	188	6,139,685	180	3,851,074	38	25,112	96	325,039	502	10,340,910

Note: Figures represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $1,975 billion in 1989), whether the policyholders are residents of the United States or of some other country.

N.A.—Not available.

*Fewer than 500,000 policies.

†Includes group certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Ordinary Life Insurance

Ordinary life insurance protection in the United States increased to $4,940.0 billion at the end of 1989, up 9.5% in one year and more than three times the amount in force at the end of 1979. Purchases in 1989 totaled $1,020.7 billion, an increase of $25.0 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1989, ordinary life accounted for 56.8% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or more, with $10,000 a common minimum. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Ordinary Life Insurance in Force

In the United States (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	2	$ 4,170	1973	128	$ 928,192
1900	3	6,124	1974	131	1,009,038
1905	5	9,585	1975	134	1,083,421
1910	6	11,783	1976	137	1,177,672
1915	9	16,650	1977	139	1,289,321
1920	16	32,018	1978	142	1,425,095
1925	23	52,892	1979	146	1,585,878
1930	32	78,576	1980	148	1,760,474
1935	33	70,684	1981	149	1,978,080
1940	37	79,346	1982	146	2,216,388
1945	48	101,550	1983	146	2,544,275
1950	64	149,116	1984	145	2,887,574
1955	80	216,812	1985	142	3,247,289
1960	95	341,881	1986	143	3,658,203
1965	107	499,638	1987	145	4,139,071
1970	120	734,730	1988	144	4,511,608
1971	123	792,318	1989	144	4,939,963
1972	126	853,911			

In U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	3	$ 7,093	1973	134	$ 983,388
1905	5	11,054	1974	137	1,071,369
1910	7	13,227	1975	140	1,153,160
1915	10	18,249	1976	143	1,257,738
1920	16	33,451	1977	147	1,382,356
1925	24	54,549	1978	151	1,535,982
1930	33	79,729	1979	156	1,722,106
1935	33	71,937	1980	216	2,086,569
1940	39	81,006	1981	264	2,571,344
1945	49	104,355	1982	252	2,861,783
1950	66	154,394	1983	243	3,234,716
1955	83	225,554	1984	208	3,625,164
1960	99	355,608	1985	196	4,095,996
1965	111	522,694	1986	176	4,510,761
1970	125	777,163	1987	182	5,141,422
1971	128	839,767	1988	190	5,687,059
1972	131	906,255	1989	188	6,139,685

Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsuance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policy-holders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash value that can help families meet financial emergencies, pay for special goals or provide income for retirement years.

Cash value of life insurance policies is a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in

Mass-Marketed Ordinary Life Insurance in Force in the United States By Type and by Size of Insured Group 1988

	Number of Groups	Number of Members*	Insurance in Force		Average Amount of Insurance Per Member
			Amount	% of Amount	
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	6,430	687,000	$ 7,926,000,000	17.4	$11,537
Union and Joint Employer-Union	400	6,000	72,000,000	.2	12,000
Multiple Employer Trusts	670	7,000	142,000,000	.3	20,286
Professional Society	490	453,000	6,360,000,000	13.9	14,040
Employee Association	640	525,000	6,633,000,000	14.5	12,634
Other—Related to Employee Benefit Program	10	5,000	87,000,000	.2	17,400
Other—Not Related to Employee Benefit Program	20	1,000	4,000,000	†	4,000
Total	8,660	1,684,000	$21,224,000,000	46.5	12,603
Not Related to Employment or Occupation					
Fraternal Society	1,300	11,000	$ 110,000,000	.3	10,000
Savings or Investment Group	930	842,000	6,844,000,000	15.0	8,128
Credit Card Holders	310	918,000	9,968,000,000	21.8	10,858
Mortgage Insurance	2,020	713,000	6,205,000,000	13.6	8,703
Students	120	54,000	767,000,000	1.7	14,204
Credit Unions	360	8,000	110,000,000	.2	13,750
Other	1,840	119,000	431,000,000	.9	3,622
Total	6,880	2,665,000	$24,435,000,000	53.5	9,169
Total All Groups	15,540	4,349,000	$45,659,000,000	100.0	10,499
SIZE OF GROUP					
Fewer than 10 Members	N.A.	77,000	$ 594,000,000	1.3	7,714
10–24 Members	N.A.	18,000	164,000,000	.4	9,111
25–99 Members	N.A.	66,000	744,000,000	1.6	11,273
100–499 Members	N.A.	177,000	1,977,000,000	4.3	11,169
500 or More Members	N.A.	4,011,000	42,180,000,000	92.4	10,516
Total All Groups	15,540	4,349,000	$45,659,000,000	100.0	10,499

Note: Data by type of group are estimated on the basis of reports from life insurance companies having 82% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1988; and data by size of group are estimated from companies having 73%.

†Less than .05%.

*Includes duplication where individuals are included in more than one group.

N.A.—Not available.

Source: American Council of Life Insurance.

reserve, which along with interest earned and future level premiums, assures that funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by surrendering the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer protection only and most do not build up cash value. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 51.6% in 1989. Term insurance, including the term portion of combination plans, increased from 37.0% in 1985 to 48.4% in 1989.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1989, $45.4 billion of mass-marketed ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $6.6 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1988 shows that coverage of employer-employee and professional society groups accounted for 31.3% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $12,603.

For policyholders with coverage not related to employment or occupation, the average amount of coverage was $9,169. Credit card holders accounted for 21.8% of the amount in force, while policyholders with mortgage insurance and students accounted for an additional 15.3%.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable, universal, adjustable and flexible premium variable life.

Distribution of the Amount of Ordinary Life Insurance In Force in the United States by Plan of Insurance

Year	Whole Life	Other Permanent*	Term	Total
1954	65.5%	18.3%	16.2%	100.0%
1957	65.8	13.9	20.3	100.0
1962	66.1	9.5	24.4	100.0
1966	65.9	7.3	26.8	100.0
1970	64.3	7.2	28.5	100.0
1974	63.0	6.0	31.0	100.0
1977	60.9	5.8	33.3	100.0
1981	58.0	3.5	38.5	100.0
1985	61.4	1.6	37.0	100.0
1989	50.7	0.9	48.4	100.0

Note: Data for missing years not available.

*Includes endowment and retirement income policies.

Sources: American Council of Life Insurance.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1989, $53.8 billion of fixed-premium variable life insurance was in force in the United States. Some $6.5 billion was purchased in 1989.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premium decreases.

Universal life insurance, first introduced in 1979, is another approach to life insurance—an attempt to make it "inflation-proof." Universal life is a flexible premium policy that allows the policyholder to change the death benefit from time to time and vary the amount or timing of premium payments. Premiums are credited under the policy; mortality charges and expense charges are deducted and interest is credited at rates which may change from time to time. The cash value at any time reflects these credits and charges. Some $1.4 trillion of universal life insurance was in force in the United States at year-end 1989. Sales during 1989 totaled $275.2 billion.

An even newer policy type combines the premium flexibility of universal life insurance with a death benefit that varies according to the investment performance of the assets underlying the contract. As of year-end 1989, $107.2 billion of this policy type, called flexible premium variable or universal-variable life insurance, was in force.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

Variable, Universal and Flexible Premium Variable Life Insurance In Force (000 omitted)

Year	Variable Life Insurance		Universal Life Insurance		Flexible Premium Variable Life Insurance	
	Policies	Amount	Policies	Amount	Policies	Amount
IN U.S. COMPANIES						
1976	2	$ 46,541	—	—	—	—
1977	6	168,632	—	—	—	—
1978	8	224,497	—	—	—	—
1979	12	382,716	N.A.	N.A.	—	—
1980	27	965,576	N.A.	N.A.	—	—
1981	92	3,720,739	61	$ 4,868,293	—	—
1982	192	7,636,076	500	40,439,550	—	—
IN THE UNITED STATES						
1983	341	13,885,000	1,642	131,309,000	—	—
1984	507	21,506,000	4,007	319,922,000	*	**
1985	615	29,055,000	6,836	563,609,000	106	$ 6,052,000
1986	753	38,037,000	11,174†	864,479,000†	339	26,486,000
1987	883	49,230,000	12,720†	994,863,000†	696	57,813,000
1988	861	50,277,000	15,702†	1,169,892,000†	918	85,911,000
1989	922	53,849,000	17,476†	1,390,937,000†	1,053	107,219,000

N.A.—Not available.

Note: Excludes reinsurance assumed.

*Fewer than 500.

**Less than $500,000.

†Includes fixed and flexible premium universal life.

Source: American Council of Life Insurance.

Group Life Insurance

At the end of 1989, group life insurance in the United States totaled $3,469.5 billion. This amount represented a 7.3% increase in one year and is nearly two and one-half times the amount at the end of 1979. Group protection amounted to 39.9% of life insurance in force in the United States at the end of 1989.

Group life insurance set up under new or revised group contracts in the United States in 1989 totaled $420.7 billion. About one-half of the group life purchased in 1989 was issued under new contracts. The remainder represented increases

Group Life Insurance in Force

In the United States (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1974	359	93,567	$ 827,018,000
1915	*	120	100,000	1975	378	96,693	904,695,000
1920	6	1,600	1,570,000	1976	404	100,138	1,002,647,000
1925	12	3,200	4,247,000	1977	437	105,649	1,115,047,000
1930	19	5,800	9,801,000	1978	495	110,445	1,243,994,000
1935	18	6,400	10,208,000	1979	559	114,893	1,419,418,000
1940	23	8,800	14,938,000	1980	586	117,762	1,579,355,000
1945	31	11,500	22,172,000	1981	631	122,611	1,888,612,000
1950	56	19,288	47,793,000	1982	636	124,279	2,066,361,000
1955	89	31,649	101,345,000	1983	635	126,628	2,219,573,000
1960	169	43,602	175,903,000	1984	634	127,405	2,392,358,000
1965	234	60,930	308,078,000	1985	642	129,904	2,561,595,000
1970	304	79,844	551,357,000	1986	612	135,157	2,801,049,000
1971	312	82,320	589,883,000	1987	672	136,006	3,043,782,000
1972	326	85,102	640,689,000	1988	625	138,071	3,232,080,000
1973	338	88,385	708,322,000	1989	701	141,556	3,469,498,000

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1974	369	112,123	$ 896,505,000
1915	*	122	100,000	1975	388	115,928	978,920,000
1920	6	1,700	1,636,000	1976	422	119,078	1,082,217,000
1925	12	3,221	4,299,000	1977	448	121,924	1,198,107,000
1930	20	5,791	9,859,000	1978	506	126,697	1,333,623,000
1935	19	6,191	10,395,000	1979	571	132,820	1,529,910,000
1940	22	8,833	15,063,000	1980	618	138,038	1,719,284,000
1945	31	11,507	22,501,000	1981	808	189,594	2,155,637,000
1950	56	21,944	49,330,000	1982	903	200,913	2,346,642,000
1955	92	35,234	105,657,000	1983	826	223,483	2,531,573,000
1960	182	51,212	187,323,000	1984	687	173,508	2,567,012,000
1965	247	74,728	330,836,000	1985	668	151,837	2,730,424,000
1970	318	97,693	593,675,000	1986	631	160,168	2,973,083,000
1971	325	102,313	639,441,000	1987	693	163,615	3,381,058,000
1972	336	103,398	697,422,000	1988	723	177,029	3,665,937,000
1973	349	107,977	722,134,000	1989	770	180,591	3,851,074,000

Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsuance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

*Fewer than 500 policies.

Sources: *Spectator Year Book* and American Council of Life Insurance

under "old" contracts to cover additional groups of employees or to provide higher benefit levels. Group life insurance is a near-universal employee benefit in medium and large firms in the United States.

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled $82.2 billion at the end of 1989.

One form of group insurance is group mortgage insurance issued through lending agencies. At year-end 1989, there was $51.0 billion of group mortgage insurance in force in the United States.

Survivor benefits in group life insurance are normally described as a continuing monthly payment to the surviving spouse. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $35.2 billion at year-end 1989.

A survey of group life insurance in force at year-end 1988 shows that 83.1% of the master policies covered employer-employee groups, accounting for 88.3% of the total amount of group life insurance in force. The average coverage per employee was $34,479.

Plans administered by unions, or jointly by unions and employers, accounted for 0.9% of the master policies and 1.1% of the total amount of group insurance at the end of 1988, with coverage per employee averaging $8,563. Multiple employer trusts represented 2.9% of the amount in force and averaged $20,264 of coverage per member.

Employee and Dependent Coverage Under Group Life Insurance in the United States 1989

	Number of Master Policies	Number of Certificates (000 omitted)	Amount (000,000 omitted)
PURCHASED DURING YEAR			
Primary Coverage, Employee and Other	175,522	13,972	$ 402,777
Survivor Benefit Coverage	N.A.	N.A.	542
Dependent Coverage	6,945*	745	7,709
Mortgage Insurance Issued Through a Lending Agency	652	393	9,679
Total	176,174	15,110	$ 420,707
IN FORCE AT END OF YEAR			
Primary Coverage, Employee and Other	696,431	130,038	$3,301,086
Survivor Benefit Coverage	N.A.	N.A.	35,190
Dependent Coverage	41,491*	9,171	82,189
Mortgage Insurance Issued Through a Lending Agency	4,341	2,347	51,033
Total	700,772	141,556	$3,469,498

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A.—Not available.

Source: American Council of Life Insurance.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for 0.5% of the master policies and 4.2% of the total group amount. Savings or investment groups accounted for 1.1% of the master policies.

Group universal life insurance, first introduced in 1985, combines group term life insurance with a cash accumulation feature. It is made available to employees by an employer who is issued a master policy; employees receive certificates as evidence of coverage and pay the entire premium. In 1989, life insurance companies issued 290 master policies for group universal life insurance, involving 111,000 certificates and $8.0 billion face amount. By year-end, 939,000 certificates for $60.3 billion of coverage were in force in the U.S.

Group Life Insurance in Force by Type and by Size Of Insured Group in the United States 1988

	Number of Master Units	Number of Members (000 omitted)	Insurance in Force		Average Amount of Insurance Per Member
			Amount (000,000 omitted)	% of Amount	
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	519,440	69,593	$2,399,516	88.3	$34,479
Union and Joint Employer-Union	5,770	3,445	29,500	1.1	8,563
Multiple Employer Trusts	73,200	3,839	77,794	2.9	20,264
Professional Society	870	794	51,940	1.9	65,416
Employee Association	1,890	1,231	59,526	2.2	48,356
Other—Related to Employee Benefit Program	80	137	3,520	0.1	25,693
Other—Not Related to Employee Benefit Program	40	26	1,046	*	40,231
Total	601,290	79,065	$2,622,842	96.5	33,173
Not Related to Employment or Occupation					
Fraternal Society	170	53	$ 2,065	0.1	38,962
Savings or Investment Group	17,300	38,393	29,216	1.1	761
Credit Card Holders	270	267	3,727	0.1	13,959
Mortgage Insurance	5,390	1,740	54,313	2.0	31,214
Other	900	300	5,947	0.2	19,823
Total	24,030	40,753	$ 95,268	3.5	2,338
Total All Groups	625,320	119,818	$2,718,110	100.0	22,685
SIZE OF GROUP					
Fewer Than 10 Members	N.A.	1,620	$ 25,868	1.0	15,968
10–24 Members	N.A.	2,983	54,131	2.0	18,146
25–99 Members	N.A.	8,009	150,599	5.5	18,804
100–499 Members	N.A.	13,028	250,453	9.2	19,224
500 or More Members	N.A.	94,178	2,237,059	82.3	23,754
Total All Groups	625,320	119,818	$2,718,110	100.0	22,685

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life Insurance. Group credit life insurance on loans of over 10 years' duration is included.

*Less than .05%. N.A. = Not available.

Source: American Council of Life Insurance.

Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Nine out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $24.4 billion at the end of 1989. This amount reflects a decrease of $1.0 billion in the year. The average size industrial life insurance policy in force was $670 in 1989.

Industrial Life Insurance in Force

In the United States (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	7	$ 818	1973	75	$40,632
1900	11	1,449	1974	71	39,441
1905	17	2,278	1975	70	39,423
1910	23	3,125	1976	67	39,175
1915	32	4,279	1977	66	39,045
1920	48	6,948	1978	64	38,080
1925	71	12,318	1979	62	37,794
1930	86	17,963	1980	58	35,994
1935	81	17,471	1981	55	34,547
1940	85	20,866	1982	52	32,766
1945	101	27,675	1983	50	31,354
1950	108	33,415	1984	47	30,104
1955	112	39,682	1985	44	28,250
1960	100	39,563	1986	42	27,168
1965	89	39,818	1987	41	26,668
1970	77	38,644	1988	39	25,456
1971	76	39,202	1989	37	24,446
1972	76	39,975			

In U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	11	$ 1,469	1973	76	$41,087
1905	17	2,310	1974	72	39,877
1910	23	3,177	1975	70	39,825
1915	33	4,428	1976	68	39,574
1920	50	7,190	1977	67	39,418
1925	74	12,824	1978	64	38,444
1930	89	18,287	1979	62	38,211
1935	84	18,297	1980	62	40,061
1940	87	21,344	1981	60	39,050
1945	104	28,497	1982	67	41,345
1950	111	34,391	1983	64	39,698
1955	115	40,798	1984	58	34,402
1960	102	40,446	1985	54	31,362
1965	91	40,498	1986	51	30,226
1970	78	39,179	1987	45	28,533
1971	77	39,708	1988	42	26,604
1972	77	40,455	1989	38	25,112

Note: Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Purchases of industrial life insurance in 1989 amounted to $252 million, down $68 million from the previous year.

Industrial insurance represented 0.3% of all legal reserve life insurance in force in the U.S. at the end of 1989, compared with 3.0% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to fill a definite need of many lower-income families.

Home Service Life Insurance. In recent years, industrial life insurance and monthly debit ordinary have come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force declined for the seventh year in a row. Total coverage with U.S. life insurance companies amounted to $145.1 billion by year-end 1989, 1.4% of all life insurance in force with U.S. life companies.

Home Service Life Insurance in Force

U.S. Life Insurance Companies (000,000 omitted)

	Monthly Debit Ordinary		Industrial		Total	
Year	No. of Policies	Amount	No. of Policies	Amount	No. of Policies	Amount
1970	33	$ 73,569	78	$39,179	111	$112,748
1975	34	91,985	70	39,825	104	131,810
1980	36	115,364	62	40,061	98	155,425
1981	36	124,318	60	39,050	96	163,368
1982	35	122,451	67	41,345	102	163,796
1983	33	120,170	64	39,698	97	159,868
1984	32	120,505	58	34,402	90	154,907
1985	30	116,212	54	31,362	84	147,574
1986	30	117,303	51	30,226	81	147,529
1987	29	116,659	45	28,533	74	145,192
1988	29	119,258	42	26,604	71	145,862
1989	28	120,641	37	24,446	65	145,087

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 16–28.

Source: American Council of Life Insurance.

Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, increased again in 1989 as a result of the general economic upturn and more consumer borrowing. The amount of credit life in force in the United States totaled $260.1 billion at year-end, an increase of $9.1 billion from the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

Credit Life Insurance in Force

In the United States (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1975	79,708	$112,032,000
1920	22	$ 4,000	1976	78,230	123,569,000
1925	81	18,000	1977	79,259	139,402,000
1930	363	73,000	1978	83,725	163,081,000
1935	559	101,000	1979	84,435	179,250,000
1940	2,563	380,000	1980	78,446	165,215,000
1945	2,110	365,000	1981	73,055	162,356,000
1950	10,819	3,844,000	1982	66,758	161,144,000
1955	27,900	14,493,000	1983	64,386	170,659,000
1960	43,087	29,101,000	1984	65,920	189,951,000
1965	62,599	53,020,000	1985	69,737	215,973,000
1970	77,516	77,392,000	1986	70,718	233,859,000
1971	76,041	81,931,000	1987	72,920	242,977,000
1972	78,439	93,410,000	1988	70,401	251,015,000
1973	77,574	101,154,000	1989	72,216	260,107,000
1974	83,860	109,623,000			

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1975	101,710	$140,378,000
1920	22	$ 4,000	1976	98,057	151,238,000
1925	81	18,000	1977	100,117	168,798,000
1930	363	73,000	1978	106,773	199,464,000
1935	559	101,000	1979	106,611	217,268,000
1940	2,568	381,000	1980	101,622	210,019,000
1945	2,124	370,000	1981	100,759	211,773,000
1950	10,992	3,903,000	1982	92,066	210,205,000
1955	32,985	17,072,000	1983	85,186	219,553,000
1960	55,650	34,812,000	1984	89,943	246,254,000
1965	82,197	64,595,000	1985	94,720	278,044,000
1970	101,786	96,455,000	1986	94,921	302,254,000
1971	97,730	101,427,000	1987	98,404	313,670,000
1972	101,820	116,218,000	1988	94,795	312,732,000
1973	99,453	125,702,000	1989	95,829	325,039,000
1974	105,228	136,829,000			

Note: "Credit" shown above is limited to life insurance on loans of 10 years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

*Less than $500,000.

Source: American Council of Life Insurance.

Life Insurance and American Families

A national sample survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides a comprehensive inventory of the types and amounts of life insurance coverage that Americans own.

Approximately 2 out of 3 individuals in the U.S. had some form of life insurance coverage; either through an individually purchased policy, an employee group policy at their place of employment or through any of a variety of other sources from which coverage can be obtained (e.g., Veterans Life, credit life, mortgage life, etc.).

Adult men are more likely to be insured, and for larger amounts, than adult women. Three out of four (75%) adult males are insured; 56% through an individually purchased policy and 45% through their place of work. Somewhat fewer American women are insured (65%); 47% are covered through an individually purchased policy while 30% are protected by employee group insurance.

The average (mean) amount of total life insurance on an insured adult male is $51,700, more than twice the average amount held by an insured adult woman ($21,300). The average amount of individually purchased coverage on an insured adult male is $34,000 compared to $14,100 for insured adult females. Individual life coverage includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York).

Some form of life insurance was held by 81% of U.S. households (i.e., one or more household members were insured). The average amount of total life coverage per insured household in 1984 was $64,200. Individual life coverage was owned by 62% of the households; the average amount of individual life coverage for these households was $42,500. Employee group insurance protected 54% of households; the average amount of their employee group coverage totaled $41,300.

Families where both husband and wife are present comprise approximately 60% of all American households. Nearly 9 out of 10 husband-wife households own some type of life insurance while 76% of male-head families and 74% of female-head families are protected by some type of insurance. The average amount of coverage for insured husband-wife households was $78,700. Seventy percent of both male-head nonfamily and female-head nonfamily households owned some type of life insurance protection; the average amounts of coverage for these nonfamily households was $62,400 and $17,900, respectively.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 55-to-64 age group, with 91% protected, followed by 89% of the 45-to-54 age group and 87% of the 35-to-44 age group owning some form of insurance. The insured households with heads 35-to-44 years old had the highest average amount of coverage, $95,900. The 45-to-54 insured group owned an average amount of $82,200, followed by the 25-to-34 group with an average amount of $78,200 in coverage. Seventy-one percent of the households with a 65 years or older head of house owned some type of insurance; the average amount of coverage for these insured households was $13,300.

Nine out of ten households with annual incomes of $20,000 or more were protected by some type of life insurance. Insured households with annual incomes of $50,000 or more had an average amount of life coverage of $164,800, while the $20,000 to $29,999 income insured households averaged $62,600. The highest incidence of employee-group coverage occurred in households with annual incomes in the $30,000 to $49,999 and $50,000 or more ranges, 74% and 72%, respectively. Employee-group coverage averaged $52,600 for the $30,000 to $49,999 income insured households and $94,700 for insured households with annual incomes of $50,000 or more.

Ownership of Life Insurance by Individuals—1984

Percent of Adults Insured by Type of Coverage

	All Types of Life Insurance		Individual Life Insurance		Employee Group Life Insurance	
TOTAL ADULTS	70%		51%		37%	
Men	75		56		45	
Women	65		47		30	
AGE	Male	Female	Male	Female	Male	Female
65 and older	69%	57%	57%	48%	29%	14%
55–64 yrs	86	71	64	57	52	28
45–54 yrs	86	72	61	49	59	37
35–44 yrs	84	70	65	51	57	41
25–34 yrs	73	68	51	44	47	38
18–24 yrs	61	50	46	35	24	20
TOTAL LIFE INSURANCE COVERAGE (All Adults)						
$150,000 or more	3%		1%		1%	
100,000–149,999	4		2		2	
50,000– 99,999	10		5		4	
25,000– 49,999	11		6		6	
15,000– 24,999	8		5		6	
5,000– 14,999	19		15		13	
Less than $5,000	15		17		5	
Total	70%		51%		37%	
Median Coverage	$15,000		$10,000		$15,000	
Mean Coverage	$36,800		$24,500		$30,400	
ALL CHILDREN	47%		40%		12%	
14–17 yrs	51		45		13	
6–13 yrs	48		41		11	
0– 5 yrs	41		33		11	
Median Coverage	$ 5,000		$ 5,000		$ 2,500	
Mean Coverage	$ 6,400		$ 5,900		$ 5,500	

Note: "All Types of Life Insurance" includes individually purchased life policies, employer-sponsored group life, credit life, servicemen's life (SGLI and VGLI), mortgage insurance purchased from lending institutions, and insurance for credit union depositors. "Individual Life Insurance" includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York); comprises ordinary and/or industrial life insurance. The definition used here is somewhat broader than that used in earlier studies and reported in previous *Factbooks*.

Source: A national consumer survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

Ownership of Life Insurance by Households—1984

Percent of Households in Which at Least One Member Owns Life Insurance

	All Types of Life Insurance		Individual Life Insurance		Employee Group Life Insurance	
	Percent	Mean Coverage*	Percent	Mean Coverage*	Percent	Mean Coverage*
ALL HOUSEHOLDS	81%	$ 64,200	62%	$ 42,500	54%	$41,300
TYPE OF HOUSEHOLD						
Husband-wife	88%	$ 78,700	70%	$ 51,600	60%	$44,800
with children	87	99,100	69	71,500	62	46,600
without children	89	59,000	71	32,600	59	42,900
Family/male head	76	**	53	**	49	**
Family/female head	74	36,700	51	24,900	49	27,600
Nonfamily/male head	70	62,400	46	38,100	48	50,400
Nonfamily/female head	70	17,900	48	9,600	37	21,100
AGE OF HOUSEHOLD HEAD						
65 years and older	71%	$ 13,300	61%	$ 8,300	31%	$13,100
55–64 yrs	91	47,900	75	22,400	56	41,100
45–54 yrs	89	82,200	66	50,200	64	55,600
35–44 yrs	87	95,900	68	63,900	65	51,000
25–34 yrs	79	78,200	52	64,200	59	38,700
18–24 yrs	66	53,200	37	**	48	**
HOUSEHOLD INCOME						
$50,000 or more	92%	$164,800	71%	$105,800	72%	$94,700
30,000–49,999	92	90,800	69	56,300	74	52,600
20,000–29,999	91	62,600	71	41,800	66	33,200
15,000–19,999	80	38,800	58	28,300	51	22,400
Under $15,000	69	27,400	51	19,600	34	20,900
OCCUPATION OF HOUSEHOLD HEAD						
Manager	90%	$134,900	68%	$ 98,600	69%	$68,400
Professional/technical	90	93,600	66	55,500	71	59,700
Salesperson	79	72,100	56	50,800	62	39,400
Skilled craftsperson/operator/ transportation worker	88	64,200	69	42,200	65	33,200
Service worker	85	51,100	56	36,200	57	32,800
Administrative support	84	39,900	48	24,800	72	27,400
Laborer	78	49,700	56	34,900	52	27,600
Retired	75	15,300	64	9,600	32	13,900
EDUCATION OF HOUSEHOLD HEAD						
Postgraduate	85%	$116,900	67%	$ 78,500	60%	$73,000
College graduate	87	94,300	59	61,700	68	59,800
Attended college	80	68,000	56	46,300	56	42,800
High school graduate	80	51,900	61	37,000	51	30,800
Not a high school graduate	79	36,300	65	22,900	48	24,400

*Among those households with this type of coverage; includes coverage of dependents.

**Averages not shown for fewer than 25 cases in sample.

Note: "All Types of Life Insurance" includes individually purchased life policies, employer-sponsored group life, credit life, servicemen's life (SGLI and VGLI), mortgage insurance purchased from lending institutions, and insurance for credit union depositors. "Individual Life Insurance" includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York); comprises ordinary and/or industrial life insurance. The definition used here is somewhat broader than that used in earlier studies and reported in previous *Factbooks*.

Source: A national consumer survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

ANNUITIES

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 14.6 million at the end of 1989, an increase of 812,000, or 5.9%, during the year.

Individual annuities accounted for 14.2 million of the total, an increase of 821,000, or 6.2%, from 1988. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 10.5% during 1988.

Annual income now payable or to be paid in the future under individual annuities amounted to $38.7 billion in 1989, an increase of $2.0 billion over 1988. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 56).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1989, there were 487,000 supplementary contract life annuities in force with life insurance companies, providing current or future annual income of $639 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 56).

Individual Annuities and Supplementary Contracts in Force 1989

U.S. Life Insurance Companies

	Individual Annuities		Supplementary Contracts	
	Number	Annual Income	Number	Annual Income
Income Now Payable	841,000	$ 3,755,000,000	484,000	$632,000,000
Income Deferred But Fully Paid	7,028,000	17,873,000,000	3,000	7,000,000
Income Deferred But Not Fully Paid	6,288,000	17,064,000,000	*	**
Total	14,157,000	$38,692,000,000	487,000	$639,000,000

Note: Data for supplementary contracts represent only those with life contingencies. Data exclude variable annuities in separate accounts (see page 40).

*Fewer than 500. **Less than $500,000.

Source: American Council of Life Insurance.

Variable Annuities

The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed and variable incomes under one contract.

Survey data for year-end 1989 showed that there were 5.7 million persons covered by life insurance company variable annuity plans in the United States. Over 5.4 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1989 amounted to $514.4 million, $267.0 million under the variable payment portion and $247.4 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Included in individual plans were 884,160 Individual Retirement Accounts with $5.0 billion in variable and $3.8 billion in other reserves.

Variable Annuity Plans in the United States 1989

(Dollar amounts in thousands)

	Group Plans				
	Equity Fund Index	Other Indices	Total Group	Individual Plans	Total (Group and Individual)
IN FORCE YEAR-END 1989					
No. of Plans	39,330	2,370	41,700	—	—
No. of Persons	2,785,190	143,500	2,928,690	2,728,530	5,657,220
Reserves					
Variable	$11,152,350	$1,631,750	$12,784,100	$23,932,130	$36,716,230
Other	17,431,550	951,680	18,383,230	17,764,020	36,147,250
Total	$28,583,900	$2,583,430	$31,167,330	$41,696,150	$72,863,480
CONSIDERATIONS IN 1989					
Variable	$ 816,480	$ 199,660	$ 1,016,140	$ 3,686,980	$ 4,703,120
Other	1,665,210	26,240	1,691,450	2,621,880	4,313,330
Total	$ 2,481,690	$ 225,900	$ 2,707,590	$ 6,308,860	$ 9,016,450
VARIABLE ANNUITIES IN COURSE OF PAYMENT 1989					
No. of Persons Receiving Payments Year-End 1989	27,450	17,570	45,020	33,920	78,940
Annualized Income					
Variable	$ 161,640	$ 78,120	$ 239,760	$ 27,220	$ 266,980
Fixed	125,270	37,940	163,210	84,200	247,410
Total	$ 286,910	$ 116,060	$ 402,970	$ 111,420	$ 514,390

Note: The table includes variable and fixed data on plans that provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans that provide an option for a variable annuity payout at retirement are not included. For 1989, there were 790 such groups covering 134,710 persons, and 284,970 individual plans.

Source: American Council of Life Insurance.

LIFE INSURANCE AND ANNUITY BENEFIT PAYMENTS

Americans received $80.2 billion in payments from life insurance policies and annuities during 1989, a 8.2% increase over 1988. These figures do not include $3.9 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the federal government.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies that do not incorporate a cash value.

Especially notable in recent years has been the impact of AIDS deaths on the life, health and disability insurance claims of life insurance companies. AIDS deaths accounted for 1% of all deaths nationwide in 1989, but life insurance benefits paid on such deaths accounted for a higher percentage of all death benefits. According to a survey of 275 life insurance companies, their identifiable 1989 AIDS death benefits were 1.7% of individual life benefits and 2.5% of group benefits. These compare with 1.1% of individual and 1.6% of group benefits in 1988. Credit life benefits were 1.5% of such benefits, compared with 0.9% in 1988.

The average size of an individual AIDS death claim rose 44% over 1988, to reach $28,200. The average group life claim at $34,200 was 6% higher than in 1988.

Life Insurance and Annuity Benefit Payments

In the United States (000,000 omitted)

Year	Life Insurance Policyholders and Beneficiaries						Annuity Payments	Grand Total
	Death Payments	Matured Endowments	Disability Payments	Surrender Values	Policy Dividends	Total		
1940	$ 995	$ 269	$104	$ 652	$ 468	$ 2,488	$ 176	$ 2,664
1945	1,279	407	88	211	466	2,451	216	2,667
1950	1,590	495	100	592	627	3,404	327	3,731
1955	2,241	614	110	896	1,021	4,882	501	5,383
1960	3,346	673	124	1,633	1,512	7,288	830	8,118
1965	4,832	931	163	1,932	2,259	10,117	1,300	11,417
1966	5,218	982	169	2,120	2,416	10,905	1,437	12,342
1967	5,665	1,017	175	2,243	2,596	11,696	1,598	13,294
1968	6,209	967	196	2,456	2,803	12,631	1,754	14,385
1969	6,758	953	205	2,722	2,967	13,605	1,920	15,525
1970	7,017	978	233	2,887	3,214	14,329	2,120	16,449
1971	7,423	990	257	2,882	3,300	14,852	2,325	17,177
1972	8,007	1,001	271	3,027	3,640	15,946	2,628	18,574
1973	8,572	1,025	317	3,418	3,948	17,280	3,033	20,313
1974	8,885	991	375	3,642	4,208	18,101	3,351	21,452
1975	9,192	946	426	3,763	4,544	18,871	3,665	22,536
1976	9,593	976	458	4,148	5,017	20,192	4,419	24,611
1977	10,196	932	495	4,309	5,263	21,195	5,267	26,462
1978	11,108	916	533	4,520	5,674	22,751	5,863	28,614
1979	11,766	913	554	5,473	6,131	24,837	7,548	32,385
1980	12,884	908	592	6,678	6,785	27,847	10,195	38,042
1981	14,154	883	627	7,961	7,838	31,463	12,021	43,484
1982	15,066	839	574	10,779	7,922	35,180	12,814	47,994
1983	15,660	824	566	12,605	8,641	38,296	13,564	51,860
1984	16,752	771	566	14,731	9,700	42,520	17,912	60,432
1985	18,226	779	536	15,589	10,121	45,251	21,259	66,510
1986	19,479	766	540	14,741	10,122	45,648	22,657	68,305
1987	20,530	752	504	14,864	10,466	47,116	24,316	71,432
1988	21,660	751	513	14,456	11,046	48,426	25,665	74,091
1989	23,261	727	554	14,859	11,417	50,818	29,383	80,201

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 51 for supplementary contract payments and page 52 for health insurance benefits paid by life companies. Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance

Life Insurance and Annuity Benefit Payments

In the United States by State 1989 (000 omitted)

State	Death Payments	Matured Endowments	Annuity Payments	Disability Payments	Surrender Values	Policy and Contract Dividends	Total
Alabama	$ 393,000	$ 9,800	$ 195,000	$ 9,400	$ 207,900	$ 170,600	$ 985,700
Alaska	39,900	500	50,800	400	22,100	19,900	133,600
Arizona	269,800	8,100	348,100	7,600	194,400	159,300	987,300
Arkansas	154,400	4,100	102,900	4,000	77,400	88,600	431,400
California	2,352,800	56,900	2,911,200	44,200	1,390,300	1,159,200	7,914,600
Colorado	299,700	8,000	333,900	10,500	213,400	184,500	1,050,000
Connecticut	417,500	12,700	662,700	9,900	272,500	285,100	1,660,400
Delaware	99,000	2,600	62,800	1,500	38,300	58,000	262,200
D.C.	146,500	2,400	86,200	3,700	32,400	62,100	333,300
Florida	1,238,600	39,300	1,399,100	29,100	783,600	608,600	4,098,300
Georgia	649,500	15,900	388,700	14,500	342,100	311,600	1,722,300
Hawaii	99,000	2,700	128,700	2,300	62,900	63,500	359,100
Idaho	64,300	1,500	79,000	1,400	44,600	43,700	234,500
Illinois	1,182,400	53,600	1,457,500	26,100	842,200	948,500	4,510,300
Indiana	484,800	19,900	689,000	13,200	341,800	367,600	1,916,300
Iowa	241,200	12,400	313,000	17,700	236,200	288,600	1,109,100
Kansas	221 500	9,400	229,300	6,000	175,500	176,100	817,800
Kentucky	285,800	10,000	209 700	10,700	165,400	165,700	847,300
Louisiana	405,500	9,600	234,800	11,600	260,100	188,100	1,109,700
Maine	89,300	4,500	85,100	2,800	63,100	72,400	317,200
Maryland	541,100	16,000	509,800	7,800	249,500	302,900	1,627,100
Massachusetts	619,000	20,700	913,600	12,300	414,900	490,400	2,470,900
Michigan	927,900	26,000	1,155,000	21,200	483,700	547,600	3,161,400
Minnesota	318,200	11,300	503,700	9,300	357,000	251,800	1,451,300
Mississippi	166,000	4,500	85,000	4,500	99,400	79,500	438,900
Missouri	501,100	17,200	535,300	14,200	315,900	320,000	1,703,700
Montana	56,000	1,700	63,900	1,300	47,600	38,500	209,000
Nebraska	137,600	5,800	169,500	4,700	123,100	137,100	577,800
Nevada	79,300	2,000	94,800	1,800	48,600	41,800	268,300
New Hampshire	95,200	4,100	84,800	1,800	72,200	81,500	339,600
New Jersey	1,097,000	31,300	1,266,100	19,900	561,700	729,200	3,705,200
New Mexico	105,800	2,400	135,800	2,600	72,800	55,400	374,800
New York	2,026,300	61,800	3,092,500	42,900	1,289,000	1,600,100	8,112,600
North Carolina	586,100	18,700	478,300	12,500	339,500	328,800	1,763,900
North Dakota	43,200	1,600	49,700	1,400	36,600	36,000	168,500
Ohio	1,044,400	36,000	1,215,400	28,000	715,200	642,100	3,681,100
Oklahoma	248,400	6,600	310,400	5,700	172,700	140,200	884,000
Oregon	218,300	6,500	377,600	4,100	138,300	121,500	866,300
Pennsylvania	1,271,500	54,100	1,396,700	37,900	949,700	904,900	4,614,800
Rhode Island	102,100	3,500	87,400	3,100	63,700	74,100	333,900
South Carolina	314,800	9,400	181,200	6,600	165,600	130,900	808,500
South Dakota	47,400	1,900	59,500	1,300	46,100	35,100	191,300
Tennessee	438,100	12,700	479,700	11,700	275,900	238,300	1,456,400
Texas	1,450,400	33,700	1,103,900	30,400	953,500	607,900	4,179,800
Utah	106,300	2,100	124,900	2,800	76,000	76,100	388,200
Vermont	42,600	2,300	73,100	1,100	31,900	53,000	204,000
Virginia	667,100	16,000	482,900	9,600	332,900	320,300	1,828,800
Washington	320,600	7,700	562,900	10,900	234,000	240,200	1,376,300
West Virginia	136,500	6,300	158,300	5,400	89,600	103,600	499,700
Wisconsin	380,100	18,000	549,500	9,900	308,000	324,600	1,590,100
Wyoming	38,600	1,100	31,500	800	27,800	24,100	123,900
Total U.S.	$23,261,500	$726,900	$26,300,200	$554,100	$14,858,600	$14,499,200	$80,200,500

Note: Totals for annuity payments and dividend payments differ from those shown on pages 42 and 49 because annuity dividends in this table are included with policy dividends rather than with annuity payments.

Source: American Council of Life Insurance.

Payments to Beneficiaries

The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a 1984 survey, which showed that life insurance of some type was owned by 83% of the husbands and 87% of married-couple households with children.

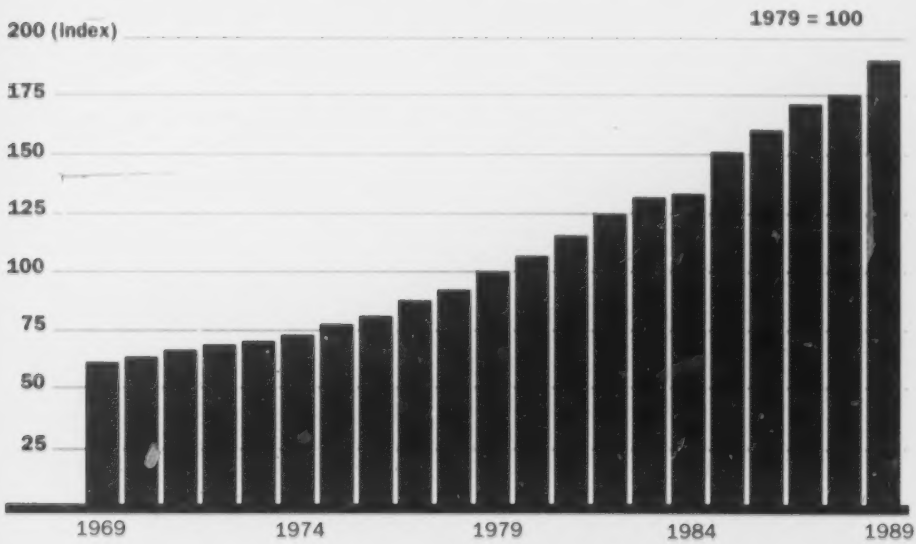
Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders.

During 1989, life insurance companies paid $23.3 billion to beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for 51.0% of the payments and provided $11.9 billion. Group life insurance payments to beneficiaries totaled nearly $10.0 billion. Group life insurance accounts for the second largest proportion of total death payments, 43.1% of death payments in 1989, compared to 43.6% in 1979. Payments to beneficiaries from industrial life insurance came to some $474 million in 1989. Benefits paid under short-term individual and group credit life insurance policies (life insurance on loans of 10 years' or less duration) were $900 million in 1989.

The largest amount of death payments in 1989 by state was made in California—$2.4 billion. New York ranked second with $2.0 billion.

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance.

Relative Growth in Average Size Life Insurance Death Benefit Payments in the United States



Payments to Life Insurance Beneficiaries in the United States

(No. in thousands, amount in millions)

	Ordinary		Group		Industrial		Credit*		Total	
Year	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1940	267	$ 729	50	$ 104	707	$162	—	—	1,024	$ 995
1945	370	897	92	171	856	212	—	—	1,318	1,280
1950	403	1,090	133	283	843	217	—	—	1,379	1,590
1955	489	1,380	243	591	929	270	—	—	1,661	2,241
1960	630	1,904	394	1,115	1,014	327	—	—	2,038	3,346
1965	784	2,604	636	1,824	1,082	403	—	—	2,502	4,831
1966	815	2,750	683	2,058	1,079	410	—	—	2,577	5,218
1967	832	2,961	721	2,288	1,060	416	—	—	2,613	5,665
1968	930	3,210	746	2,578	1,039	421	—	—	2,715	6,209
1969	955	3,424	769	2,898	1,025	436	—	—	2,749	6,758
1970	960	3,545	767	3,027	1,014	445	—	—	2,741	7,017
1971	987	3,699	761	3,267	1,017	457	—	—	2,765	7,423
1972	1,036	4,004	810	3,537	1,040	466	—	—	2,886	8,007
1973	1,057	4,222	541	3,377	1,018	477	398	$496	3,014	8,572
1974	1,068	4,340	590	3,580	974	472	377	493	3,009	8,885
1975	1,076	4,439	591	3,807	992	462	337	484	2,926	9,192
1976	1,090	4,635	580	3,991	933	475	322	492	2,925	9,593
1977	1,081	4,879	571	4,334	911	475	307	508	2,870	10,196
1978	1,123	5,312	592	4,738	928	488	318	570	2,961	11,108
1979	1,103	5,548	601	5,127	881	480	309	611	2,894	11,766
1980	1,172	6,094	637	5,671	873	493	285	626	2,967	12,884
1981	1,210	6,640	668	6,374	806	477	324	663	3,008	14,154
1982	1,226	6,993	645	6,953	771	464	331	656	2,973	15,066
1983	1,239	7,306	663	7,256	765	470	252	628	2,919	15,660
1984	1,309	7,959	675	7,655	849	498	248	640	3,081	16,752
1985	1,300	8,789	683	8,275	713	475	262	687	2,958	18,226
1986	1,356	9,560	686	8,675	683	470	246	774	2,971	19,479
1987	1,292	10,096	690	9,073	689	497	262	864	2,933	20,530
1988	1,373	10,921	695	9,346	671	495	276	898	3,015	21,660
1989	1,356	11,858	763	10,029	632	474	240	900	2,991	23,261

*Prior to 1973 death payments under Credit Life Insurance are included with Ordinary and Group.

Source: American Council of Life Insurance.

The most recent study of benefit payments showed that in September 1985, 36% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 55, 45% were on policyholders aged 55 to 74, and 19% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1985 survey from which these conclusions are drawn is the most recent in a series of 13 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1985 survey, the proportion increased 2½ times to 14.5%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1989, life insurance companies' payments under accidental death clauses totaled $283 million.

Payments to Life Insurance Beneficiaries

In the United States by State 1989

State	Ordinary*		Group**		Industrial		Total	
	No.	Amount (000 omitted)	No.	Amount (000 omitted)	No.	Amount (000 omitted)	No.	Amount (000 omitted)
Alabama	26,900	$ 208,000	15,900	$ 159,500	61,000	$ 25,500	103,800	$ 393,000
Alaska	800	19,600	1,300	20,200	100	100	2,200	39,900
Arizona	13,900	151,100	10,500	116,600	2,000	2,100	26,400	269,800
Arkansas	8,400	89,000	8,000	63,600	2,600	1,800	19,000	154,400
California	95,400	1,215,600	98,700	1,117,400	20,500	19,800	214,600	2,352,800
Colorado	13,000	156,600	13,200	140,800	2,300	2,300	28,500	299,700
Connecticut	21,700	194,300	19,200	219,000	3,700	4,200	44,600	417,500
Delaware	4,200	40,200	5,500	57,100	2,100	1,700	11,800	99,000
D.C.	3,400	37,200	8,200	106,400	4,300	2,900	15,900	146,500
Florida	84,600	739,000	45,900	470,600	44,200	29,000	174,700	1,238,600
Georgia	44,800	321,200	25,100	308,200	39,400	20,100	109,300	649,500
Hawaii	2,900	54,200	5,100	44,700	100	100	8,100	99,000
Idaho	3,100	31,500	3,600	32,500	300	300	7,000	64,300
Illinois	80,400	631,100	49,500	520,900	30,400	30,400	160,300	1,182,400
Indiana	33,100	244,800	23,700	226,200	17,100	13,800	73,900	484,800
Iowa	18,300	150,200	9,300	88,100	2,900	2,900	30,500	241,200
Kansas	14,400	131,900	8,700	86,400	3,500	3,200	26,600	221,500
Kentucky	24,500	153,100	14,600	122,300	17,900	10,400	57,000	285,800
Louisiana	19,800	223,600	14,900	164,700	26,700	17,200	61,400	405,500
Maine	5,700	48,300	4,600	39,900	1,000	1,100	11,300	89,300
Maryland	26,700	233,800	22,600	296,700	15,000	10,600	64,300	541,100
Massachusetts	45,100	302,200	25,200	307,400	8,700	9,400	79,000	619,000
Michigan	48,300	391,700	47,000	518,400	19,000	17,800	114,300	927,900
Minnesota	17,800	170,800	16,100	143,800	3,400	3,600	37,300	318,200
Mississippi	8,900	88,400	8,000	72,800	7,400	4,800	24,300	166,000
Missouri	34,500	266,000	20,900	224,800	11,300	10,300	66,700	501,100
Montana	2,700	32,800	2,800	22,900	300	300	5,800	56,000
Nebraska	9,800	90,700	5,000	45,600	1,400	1,300	16,200	137,600
Nevada	3,100	45,000	3,400	34,100	200	200	6,700	79,300
New Hampshire	5,700	48,000	4,000	45,800	1,200	1,400	10,900	95,200
New Jersey	54,600	487,800	40,000	588,500	16,200	20,700	110,800	1,097,000
New Mexico	4,400	50,300	4,500	54,900	600	600	9,500	105,800
New York	112,800	1,050,600	70,800	945,900	28,100	29,800	211,700	2,026,300
North Carolina	45,300	315,900	23,600	255,000	28,200	15,200	97,100	586,100
North Dakota	2,400	26,300	1,800	16,900	†	††	4,200	43,200
Ohio	72,400	521,300	47,700	490,900	36,400	32,200	156,500	1,044,400
Oklahoma	12,500	131,600	10,600	114,700	2,600	2,100	25,700	248,400
Oregon	10,600	99,900	11,300	117,100	1,300	1,300	23,200	218,300
Pennsylvania	99,000	661,900	58,700	561,500	49,200	48,100	206,900	1,271,500
Rhode Island	7,500	54,500	5,400	45,500	2,000	2,100	14,900	102,100
South Carolina	29,500	168,900	12,200	132,400	25,800	13,500	67,500	314,800
South Dakota	3,000	31,300	1,600	16,100	†	††	4,600	47,400
Tennessee	29,600	228,400	18,700	195,900	28,800	13,800	77,100	438,100
Texas	71,900	763,300	54,900	669,500	21,800	17,600	148,600	1,450,400
Utah	4,400	52,300	6,700	53,200	1,100	800	12,200	106,300
Vermont	2,700	22,900	2,000	19,200	400	500	5,100	42,600
Virginia	33,100	286,900	33,400	366,300	24,600	13,900	91,100	667,100
Washington	14,200	149,800	16,300	168,800	2,100	2,000	32,600	320,600
West Virginia	9,700	59,400	7,600	72,900	6,000	4,200	23,300	136,500
Wisconsin	26,700	209,700	18,800	163,100	6,900	7,300	52,400	380,100
Wyoming	1,800	20,800	1,800	17,700	100	100	3,700	38,600
Total U.S.	1,370,000	$11,903,700	988,900	$10,883,400	632,200	$474,400	2,991,100	$23,261,500

*Includes $46 million in payments to beneficiaries under individual credit life insurance policies on loans of 10 years' or less duration.

**Includes $854 million in payments to beneficiaries under group credit life insurance policies on loans of 10 years' or less duration.

†Fewer than 50.

††Less than $50,000.

Source: American Council of Life Insurance.

Analysis of Payments to Life Insurance Beneficiaries In the United States, September 1985

	Percent of Policies			Percent of Amount		
	Ordinary*	Group	Industrial	Ordinary*	Group	Industrial
SEX OF INSURED						
Male	71.1	80.1	40.5	86.6	88.3	42.7
Female	28.9	19.9	59.5	13.4	11.7	57.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT DEATH						
Under 25	2.3	3.2	0.7	2.5	2.0	1.2
25–34	2.2	4.9	0.9	5.2	5.9	1.3
35–44	3.5	6.9	1.8	11.5	11.0	2.4
45–54	8.4	18.4	4.5	16.8	27.5	5.8
55–64	19.9	28.2	12.8	24.9	36.8	14.2
65–74	28.8	19.9	26.6	20.3	10.9	26.0
75 or Older	34.9	18.5	52.7	18.8	5.9	49.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
RELATIONSHIP OF BENEFICIARY TO INSURED						
Husband	10.2	6.5	12.7	5.6	5.6	13.1
Wife	45.2	57.0	21.2	51.6	65.8	23.0
Child or Children	17.6	16.7	40.0	10.2	10.5	39.4
Other Relatives	13.5	8.9	17.8	8.6	6.8	17.5
Estate or Trust	4.5	4.3	4.2	8.0	5.3	3.6
Institution	0.5	2.5	0.5	1.5	0.5	0.4
All Other	8.5	4.1	3.6	14.5	5.5	3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM						
Less Than 1 Year	2.0	—	0.4	5.1	—	0.5
1 to 5 Years	7.3	—	3.2	24.8	—	4.1
5 to 10 Years	7.3	—	4.6	13.4	—	5.0
10 to 20 Years	18.8	—	10.2	19.2	—	11.0
20 to 30 Years	18.1	—	17.4	15.5	—	19.7
30 Years or More	46.5	—	64.2	22.0	—	59.7
Total	100.0	—	100.0	100.0	—	100.0
SEX OF BENEFICIARY						
Male	21.6	18.5	35.0	13.2	12.9	35.7
Female	60.8	70.2	56.9	60.0	73.8	56.5
Both Sexes Represented	5.3	5.8	1.7	5.1	3.5	2.3
All Other	12.3	5.5	6.4	21.7	9.8	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS						
Lump Sum	98.0	98.7	100.0	96.1	96.9	100.0
Life Income	0.1	0.1	**	0.2	0.3	**
Annuity Certain	0.5	0.9	**	0.8	2.0	**
Held at Interest	0.6	0.2	**	1.6	0.6	**
All Other	0.8	0.1	**	1.3	0.2	**
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Figures exclude individual credit life insurance on loans of 10 years or less duration.

**Less than .05%.

Source: American Council of Life Insurance.

Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are known as living benefits.

Payments to life insurance policyholders in 1989 totaled $27.6 billion, 54.2% of total life insurance benefit payments in the United States. They consisted of payments from matured endowments, surrender values, disability provisions and policy dividends.

Matured endowments paid policyholders $727 million during the year. Disability payments under life insurance policies totaled $554 million, including $206 million in direct income payments to disabled policyholders and $348 million in waived premiums.

Cash surrender values paid on policies terminated voluntarily during the year amounted to $14.9 billion, an increase of 2.8% over the previous year.

Dividends to policyholders accounted for 41.4% of all payments to life insurance policyholders in 1989. These policy dividends amounted to $11.4 billion. Dividends represent the return to policyholders of part of the payments they have made on policies sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Annuitants received $29.4 billion in payments and dividends in 1989, up 14.5% from the $25.7 billion paid in 1988.

Payments to Life Insurance Policyholders in the United States

Year	Amount (000)	% of Total Life Insurance Payments	Year	Amount (000)	% of Total Life Insurance Payments
1940	$1,492,800	60.0	1975	$ 9,679,200	51.3
1945	1,171,300	47.8	1976	10,598,500	52.5
1950	1,813,800	53.3	1977	10,999,000	51.9
1955	2,641,400	54.1	1978	11,643,800	51.2
1960	3,942,000	54.1	1979	13,071,500	52.6
1965	5,285,500	52.2	1980	14,962,800	53.7
1966	5,687,300	52.2	1981	17,309,300	55.0
1967	6,030,300	51.6	1982	20,114,500	57.2
1968	6,421,900	50.8	1983	22,636,100	59.1
1969	6,846,400	50.3	1984	25,768,300	60.6
1970	7,311,700	51.0	1985	27,025,400	59.7
1971	7,429,000	50.0	1986	26,169,600	57.3
1972	7,939,100	49.8	1987	26,585,800	56.4
1973	8,708,300	50.4	1988	26,766,500	55.3
1974	9,215,600	50.9	1989	27,556,600	54.2

Note: Payments to life insurance policyholders include matured endowments, disability payments, surrender values and policy dividends.

Sources: American Council of Life Insurance

Based on an analysis of 1985 life insurance and annuity dividend payments, it is estimated that policyholders used 15% of the policy dividend total to help pay their premiums, left 20% with the life companies at interest, used 47% to buy additional life insurance or annuities, and took 18% in cash. The proportion used to purchase additional coverage has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in September 1985 showed that 40% of matured endowment policy proceeds and 82% of the surrender values were paid to policyholders under age 65.

Men received 70% of the proceeds from matured endowments and 82% of the surrender values.

Whereas 81% of the proceeds from matured endowments were paid as a lump sum, 97% of the surrender values were paid that way.

Payments to Annuitants in the United States (000 omitted)

Year	Amount	Year	Amount
1940	$ 176,500	1975	$ 3,664,900
1945	216,400	1976	4,419,400
1950	327,200	1977	5,267,300
1955	500,600	1978	5,862,900
1960	830,400	1979	7,548,000
1965	1,299,700	1980	10,194,900
1966	1,436,700	1981	12,020,600
1967	1,598,000	1982	12,813,300
1968	1,753,800	1983	13,564,000
1969	1,920,000	1984	17,911,900
1970	2,120,400	1985	21,258,800
1971	2,324,900	1986	22,656,600
1972	2,628,000	1987	24,316,300
1973	3,032,500	1988	25,665,100
1974	3,351,600	1989	29,382,400

Note: Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance.

Analysis of Payments of Matured Endowments And Surrender Values in the United States

	Matured Endowments				Surrender Values			
	Percent of Policies		Percent of Amount		Percent of Policies		Percent of Amount	
	April 1981	Sept. 1985	April 1981	Sept. 1985	April 1981	Sept. 1985	April 1981	Sept. 1985
SEX OF INSURED								
Male	58.7	58.4	71.4	70.0	70.0	70.7	81.0	81.8
Female	41.3	41.6	28.6	30.0	30.0	29.3	19.0	18.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT SETTLEMENT								
Under 25	21.9	20.2	9.5	7.8	15.2	14.8	5.8	5.1
25–34	4.7	4.4	2.1	1.7	27.9	26.9	14.8	12.3
35–44	5.7	5.6	2.7	2.4	20.8	22.1	18.2	18.6
45–54	3.6	3.2	3.2	2.6	13.8	14.2	19.1	21.1
55–64	18.0	18.7	23.3	25.4	12.6	12.9	23.6	24.5
65–74	34.4	35.5	51.8	52.4	6.5	6.0	13.0	13.7
75 or Older	11.7	12.4	7.4	7.7	3.2	3.1	5.5	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM								
Under 1 Year	*	0.1	*	*	1.0	1.4	0.5	0.6
1 to 5 Years	0.4	0.4	1.1	3.1	17.1	16.0	10.8	7.6
5 to 10 Years	0.9	1.8	1.5	3.4	22.5	22.7	19.6	19.8
10 to 20 Years	16.2	14.7	22.2	21.5	26.6	27.3	31.2	33.6
20 to 30 Years	48.6	47.9	40.2	38.1	19.5	19.6	22.5	24.5
30 to 40 Years	19.1	18.8	23.3	22.6	7.4	7.5	8.9	8.9
40 or More Years	14.8	16.3	11.7	11.3	5.9	5.5	6.5	5.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS								
Lump Sum	88.3	87.7	83.5	81.2	99.4	98.5	97.3	96.7
Life Income	2.4	2.3	7.4	8.0	0.2	0.2	1.7	1.5
Annuity Certain	0.4	0.8	0.9	1.9	*	*	0.1	0.1
Held at Interest	3.4	3.6	5.8	6.2	0.1	0.1	0.5	0.4
All Other	5.5	5.6	2.4	2.7	0.3	1.2	0.4	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Less than .05%.

Source: American Council of Life Insurance

Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum benefits. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1989, Americans left $3.9 billion of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $3.4 billion left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 10.5% of all 1989 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies in the United States. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts by Americans amounted to $16.0 billion, $1.5 billion more than the previous year. Life insurance companies paid out $3.8 billion in income from these accumulated funds during 1989.

Use of Life Insurance Benefits Under Supplementary Contracts

In the United States (000,000 omitted)

Year	Benefits Set Aside	Payments From Accumulated Funds	Year	Benefits Set Aside	Payments From Accumulated Funds
1945	$540	$ 295	1976	$ 950	$1,290
1950	680	520	1977	1,080	1,340
1955	780	720	1978	1,030	1,440
1960	760	970	1979	770	1,490
1965	920	1,110	1980	990	1,620
1966	920	1,180	1981	950	1,660
1967	940	1,190	1982	930	1,410
1968	890	1,240	1983	1,010	1,410
1969	840	1,310	1984	964	1,437
1970	790	1,290	1985	1,331	1,689
1971	870	1,220	1986	2,107	1,972
1972	870	1,210	1987	2,812	2,568
1973	940	1,320	1988	3,401	3,485
1974	820	1,320	1989	3,900	3,821
1975	910	1,280			

Source: American Council of Life Insurance

Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S. life companies. They paid over $39.4 billion in health insurance benefits to Americans in 1989, including $32.4 billion under group contracts and $7.0 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 91.5% since 1979.

Of the 1989 benefit payments, $32.7 billion was for medical expenses, including hospital and surgical expenses; $4.0 billion for loss of income (including accidental death and dismemberment payments); and $2.7 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance and accidental death and dismemberment payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations, and Administrative Service Only (ASO) arrangements.

Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies (000,000 omitted)

Year	Group	Individual	Total
1948	$ 225	$ 101	$ 326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1965	3,572	841	4,413
1970	6,840	1,368	8,208
1971	7,721	1,343	9,064
1972	8,225	1,450	9,675
1973	8,820	1,480	10,300
1974	10,500	1,600	12,100
1975	12,410	1,910	14,320
1976	14,090	2,070	16,160
1977	15,230	2,240	17,470
1978	15,636	3,110	18,746
1979	17,525	3,068	20,593
1980	19,759	3,279	23,038
1981	21,049	3,425	24,474
1982	22,288	3,767	26,055
1983	22,799	4,113	26,912
1984	22,782	4,271	27,053
1985	22,830	4,468	27,298
1986	24,249	4,717	28,966
1987	29,452	5,417	34,869
1988	32,063	6,320	38,383
1989	32,375	7,057	39,432

Note: Figures exclude policy dividends.

Sources: American Council of Life Insurance and Health Insurance Association of America.

MAJOR PENSION AND RETIREMENT PROGRAMS

Half of all full-time workers in commerce and industry in the United States and three-fourths of all government civilian personnel are now enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans that provide retirement income. The number of participants is estimated to be over 50 million.

The term "coverage" with regard to pension plans differs from its use in life and health insurance. In life and health coverage, there is no difference between persons eligible for benefits and those who receive benefits under the specified conditions. The nature of a retirement contract, however, is such that it is difficult to determine the number of potential beneficiaries in relation to "covered" workers.

Unlike life insurance, which provides instant coverage, a private pension plan provides future benefits that generally are contingent on the employee's age and length of service. Also, dependents and survivors, who have only potential income from the plan, are not counted as covered until they actually begin receiving benefits.

However, as in the case of life and health insurance, an individual may be covered by several plans, usually by fulfilling the vesting qualifications under several plans and/or by having primary coverage and being the spouse of a person who is covered.

Private pension plans are those established by private agencies including commercial, industrial, labor and service organizations, nonprofit organizations, nonprofit religious, educational and charitable institutions, and Individual Retirement Accounts or Keogh Plans set up by individuals.

Pension plans may be self-administered, placed with banks or trust companies, or insured with life insurance companies.

At the end of 1989, plans with life insurance companies covered 60.1 million persons and provided retirement income to over 5.6 million individuals.

Government-administered plans, including those for federal civilian employees, state and local government employees and railroad workers, covered over 22 million persons at year-end 1989. This figure includes some duplication of coverage under more than one plan; some individuals covered by government plans are also covered by one or more private plans and some individuals in the private sector also may have multiple coverage under private plans.

The most comprehensive government retirement program is the federal Old-Age and Survivors Insurance (OASI) system, which is part of Social Security, a national social insurance program created in 1935. At the end of 1989, over 160 million workers had been in the Social Security program long enough to be fully insured (i.e., if they were to die, the full range of survivor benefits would be available, or if they were age 62, they would qualify for retirement benefits).

Actuarially-funded retirement systems for civilian employees of the United States government covered 5.5 million persons.

The Railroad Retirement System, the only retirement system administered by the federal government for a single private industry, covered 1.2 million persons at year-end 1989, including 912,000 beneficiaries.

State and local government retirement systems covered over 15 million persons at the end of 1989.

Number of Persons Covered by Major Pension and Retirement Programs

In the United States (000 omitted)

	Private Plans		Government-Administered Plans			
Year	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees†	State and Local Employees	OASI‡
1940	695	3,565	1,349	745	1,552	22,900
1945	1,470	5,240	1,846	2,928	2,008	41,070
1950	2,755	7,500	1,881	1,872	2,894	61,506
1955	4,105	12,290	1,876	2,333	3,927	74,887
1960	5,475	17,540	1,654	2,703	5,160	91,496
1965	7,040	21,060	1,661	3,114	6,780	103,827
1970	10,580	25,520	1,633	3,624	8,591	120,014
1975	15,190	30,300*	1,564	4,171	11,230	135,744
1976	16,965	N.A.	1,572	4,210	12,290	138,633
1977	19,205	N.A.	1,567	4,292	13,124	141,596
1978	21,615	N.A.	1,580	4,380	13,400*	144,260
1979	23,460	N.A.	1,567	4,398	13,680*	147,178
1980	26,080	N.A.	1,533	4,460	13,950*	153,634
1981	27,825	N.A.	1,483	4,566	14,230*	157,569
1982	30,375	N.A.	1,404	4,610	14,504	160,611
1983	32,425	N.A.	1,383	4,683	14,464	161,836
1984	35,510	N.A.	1,362	4,791	14,788	161,986
1985	40,010	N.A.	1,309	4,887	15,235	162,881
1986	45,830	N.A.	1,271	4,938	15,426	164,438
1987	49,515	N.A.	1,243	5,065	15,460*	167,077
1988	54,060	N.A.	1,229	5,281	15,864*	169,270
1989	60,130	N.A.	1,209	5,499	N.A.	171,801

Notes: It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series.

Private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans.

Data for "Other Private Plans," compiled by the Social Security Administration, exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans' pensions, are not included.

N.A.—Not available.

*Estimated.

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Federal Reserve Employee Retirement System (Board and Bank plans).

‡Includes living workers insured for retirement and/or survivors benefits, including the self-employed, plus dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

Source: Compiled by the American Council of Life Insurance.

Assets and Reserves of Major Pension and Retirement Programs

In the United States (000,000 omitted)

Year	Private Plans		Government-Administered Plans			
	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees*	State and Local Employees	Old-Age, Survivors and Disability Insurance**
1950	$ 5,600	N.A.	$2,553	$ 4,344	$ 5,154	$ 13,721
1960	18,850	$ 38,148	3,740	10,790	19,600	22,613
1965	27,350	74,367	3,946	16,516	33,100	19,841
1970	41,175	112,028	4,398	23,922	58,200	38,068
1975	72,210	225,012	3,100	39,248	103,700	44,342
1976	88,990	251,894	3,065	44,089	117,300	41,133
1977	101,520	271,723	2,584	50,832	130,800	35,861
1978	119,110	326,246	2,787	57,677	142,573	31,746
1979	139,180	386,118	2,611	65,914	161,649	30,291
1980	165,845	469,597	2,086	75,802	185,226	26,453
1981	190,925	486,739	1,126	86,867	209,444	24,539
1982	225,195	567,228	460	99,462	245,252	24,778†
1983	264,575	682,500	601	114,219	289,731	24,867†
1984	309,080	713,900	3,712	129,787	324,369	31,075†
1985	371,305	848,100	5,109	148,166	373,932	42,163†
1986	440,555	941,800	6,365	167,606	437,229	46,861
1987	501,835	1,003,500	6,860	185,946	512,854††	68,807
1988	569,560	1,160,000	8,031	205,145	577,621††	109,762
1989	641,650	1,221,800	8,906	225,963	N.A.	162,968

Note: Some data are revised. These data are as of various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year are not affected.

N.A.—Not available.

*Includes the U.S. Civil Service Retirement System, the Tennessee Valley Retirement System, the Foreign Service Retirement System, and the Federal Reserve Employee Retirement System (Board and Bank plans).

**Beginning in 1957, assets of Disability Insurance Trust Funds are included. Hospital and Supplementary Medical Insurance is not included.

†Includes funds borrowed from the Hospital Insurance Trust Fund.

††Estimated.

Source: Compiled by the American Council of Life Insurance.

Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 60.1 million at year-end 1989, an increase of 6.1 million over last year. This figure includes retired persons receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is substantial duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $641.7 billion, an increase of 12.7% over year-end 1988, and more than four times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of persons under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans—often used by smaller firms—were in effect for 2.0 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

In 1989, payments of $22.0 billion were made under life company pension plans to 5.7 million persons. Of this amount, $19.1 billion was paid to 4.6 million persons with group annuity and terminal funded plans, and $2.9 billion to 1.0 million persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments have increased five-fold.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $131.2 billion at the end of 1989.

Private Pension Plans in the United States With Life Insurance Companies

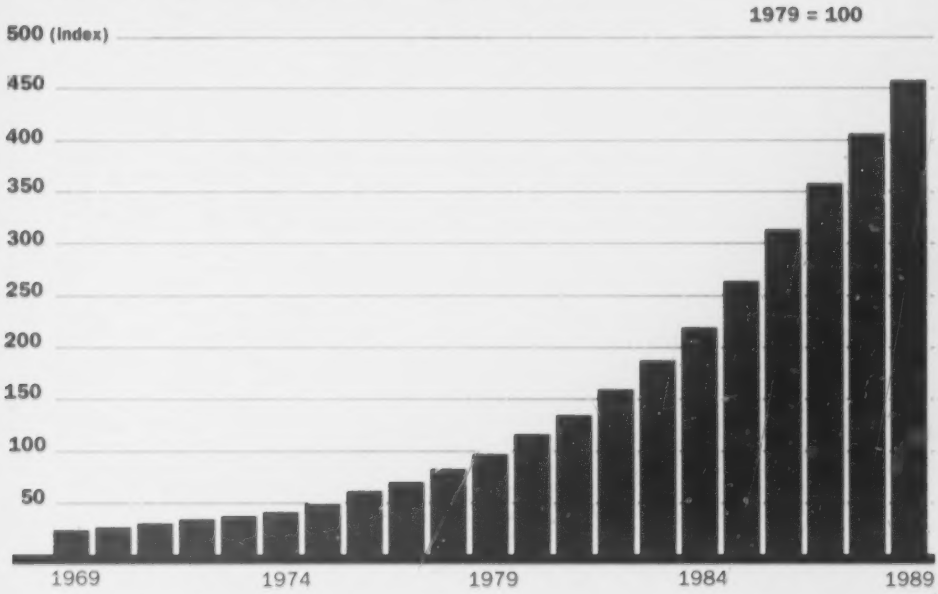
Type of Plan by Year	In Force at Year End				Payments into Plans in Year (000,000 omitted)	Pension Payments during Year	
	Number of Plans	Number of Persons Covered (000 omitted)	Total Reserves Including Separate Accounts (000,000 omitted)	Separate Account Reserves (000,000 omitted)		Number of Persons Receiving Payments (000 omitted)	Pension Payments (000,000 omitted)
1987							
Group Annuities†	142,620	34,820	$341,975	$ 88,545	$26,350	3,330	$13,025
Terminal Funded Group Plans	10,890	1,655	27,220	95	8,095	875	2,375
Individual Policy Pension Trusts‡	201,850	1,835	11,315	1,225	1,460	200	330
HR 10 (Keogh) Plans	—	440	3,920	560	385	25	85
Tax-Sheltered Annuities	—	4,125	43,555	5,980	5,950	155	460
Individual Retirement Accounts	—	4,650	30,085	3,830	5,705	50	145
Other Plans	—	1,990	43,765	1,440	8,485	300	575
Total	—	49,515	$501,835	$101,675	$56,430	4,935	$16,995
1988							
Group Annuities†	150,420	38,165	$372 175	$ 97,125	$31,840	3,395	$14,135
Terminal Funded Group Plans	11,030	1,740	28,860	45	2,540	885	2,495
Individual Policy Pension Trusts‡	212,600	1,950	16,120	1,980	4,335	205	345
HR 10 (Keogh) Plans	—	435	5,170	790	1,025	30	85
Tax-Sheltered Annuities	—	4,255	52,890	7,700	6,150	185	550
Individual Retirement Accounts	—	5,085	38,850	4,680	6,690	75	240
Other Plans	—	2,430	55,495	795	8,495	410	960
Total	—	54,060	$569,560	$113,115	$61,075	5,185	$18,810
1989							
Group Annuities†	151,460	42,280	$406,330	$110,440	$30,510	3,690	$16,410
Terminal Funded Group Plans	11,520	1,985	33,025	50	3,085	955	2,725
Individual Policy Pension Trusts‡	214,150	1,990	17,685	2,405	2,540	205	350
HR 10 (Keogh) Plans	—	440	5,460	945	645	35	95
Tax-Sheltered Annuities	—	5,120	62,525	10,620	7,360	225	790
Individual Retirement Accounts	—	5,145	46,480	5,510	6,320	95	355
Other Plans	—	3,170	70,145	1,210	10,440	450	1,315
Total	—	60,130	$641,650	$131,180	$60,900	5,655	$22,040

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

Source: American Council of Life Insurance.

Relative Growth in Life Insurance Companies' Pension Reserves in the United States



H.R. 10 (Keogh) Plans. Available for more than 24 years, these allow self-employed persons and proprietors of small businesses to set up individual plans for themselves and their employees. At year-end 1989, H.R. 10 plans with life insurance companies covered 440,000 persons, including 35,000 individuals receiving benefits. Reserves for these plans were over $5.4 billion.

Individual Retirement Accounts (IRAs). The Employee Retirement Income Security Act of 1974 (ERISA) allowed individuals to set up their own Individual Retirement Accounts (IRAs) if there was no private pension plan where they worked. By year-end 1981, 1,140,000 persons had set up such plans with life insurance companies, and the reserves for such plans amounted to $3.3 billion. The Economic Recovery Act of 1981 raised contribution limits on Individual Retirement Accounts and extended IRA eligibility to persons covered by employer pension plans, as of January 1, 1982. Since then the number of IRAs with life insurance companies increased by 4.0 million, or 351.3%, and reserves increased by $43.2 billion to a total of $46.5 billion at year-end 1989.

The Internal Revenue Service's analysis of 1987 individual income tax returns shows that over 6 million returns claimed contributions to Individual Retirement Accounts, and the total amount contributed was $11.9 billion. Over $6.5 billion in H.R. 10 contributions were reported on 796,000 returns.

The Tax Reform Act of 1986 reduced or eliminated the tax deductibility of IRA contributions for highly paid persons who are covered by pension plans.

Outstanding Amounts in IRAs and Keogh Plans With Selected Financial Institutions, Year-End

(000,000 omitted)

	IRA Accounts		Keogh Plans		Total		Percent of Total	
Institution	1988	1989	1988	1989	1988	1989	1988	1989
Life Insurance Companies	$38,850	$ 46,480	$ 5,170	$ 5,460	$ 44,020	$ 51,940	11.5%	11.7%
Mutual Funds	85,993	111,775	10,797	12,945	96,790	124,720	25.4	28.0
U.S. Treasury Retirement	20	17	94	81	114	98	*	*
Commercial Banks	N.A.	N.A.	N.A.	N.A.	93,900	108,700	24.6	24.4
Mutual Savings Banks	13,779	N.A.	1,481	N.A.	15,260	22,478	4.0	5.1
Savings & Loan Associations	N.A.	N.A.	N.A.	N.A.	107,340	110,822	28.1	24.9
Credit Unions	24,400	26,200	—	—	24,400	26,200	6.4	5.9
Total	N.A.	N.A.	N.A.	N.A.	$381,824	$444,958	100.0%	100.0%

N.A. = Not Available.

*Less than .05%.

Sources: American Council of Life Insurance, Investment Company Institute, U.S. Treasury Department, Federal Reserve System, National Council of Savings Institutions and National Association of Credit Unions.

Private Pension Plans Not Funded with Life Insurance Companies

Private pension plans other than those funded with life insurance companies represent the oldest type of industrial retirement planning in the United States. Assets amounted to $1,222 billion at the end of December 1989.

Private retirement plans in this category are generally trusteed pension plans under which contributions are paid into a trust, usually administered by a bank or trust company, which holds and invests the contributions and pays benefits in accordance with the terms of the trust and the plan provisions. In some cases, the investment procedure is handled directly by the employer, particularly in very large firms with investment staffs, or jointly with outside advisors.

Some trusteed plans are deferred profit-sharing plans which provide for retirement income. Some pay-as-you-go plans are also included in this section, and usually do not have an advance funding arrangement but pay benefits from current employer revenues.

Private Pension Plans In the United States Not Funded with Life Insurance Companies

(Thousands of persons and millions of dollars)

Calendar Year	Number of Persons			Contributions in Year*			Benefits Paid in Year**
	Not Yet Receiving Pensions	Receiving Pensions	Total	Employer	Employee	Total	
1930	N.A.	N.A.	2,700	N.A.	N.A.	—	N.A.
1935	N.A.	N.A.	2,530	N.A.	N.A.	—	N.A.
1940	3,440	130	3,570	N.A.	N.A.	—	N.A.
1945	4,990	250	5,240	N.A.	N.A.	—	N.A.
1950	7,200	300	7,500	$ 1,030	$ 130	$ 1,160	$ 290
1955	11,600	690	12,290	2,180	280	2,460	670
1960	16,300	1,240	17,540	3,520	480	4,000	1,330
1965	19,100	1,960	21,060	5,600	670	6,270	2,800
1970	22,000	3,520	25,520	9,720	1,070	10,790	6,030
1975	24,900	5,400	30,300	19,830	1,600	21,430	12,330

Note: Data exclude self-employed persons and others covered by HR 10, IRA and tax-sheltered annuity plans. The number of persons "Not Yet Receiving Pensions" includes some duplication. These or equivalent data are not available after 1975.

N.A. = Not Available

*Contributions are on a gross basis and do not include refunds. For pay-as-you-go plans, contributions are assumed to equal benefits.

**Benefit payments include refunds to employees and their survivors, and lump sums under deferred profit-sharing plans.

Source: Social Security Administration, U.S. Department of Health and Human Services.

Nonlife insurance company pension and retirement plans are usually divided into "pattern" plans and "conventional" plans for purposes of analyzing funding, plan provisions and benefit levels. Until 1950, practically all plans were the conventional type, but in 1949, when the principle was established that pensions are subject to collective bargaining, "pattern" plans took hold, particularly in large industries, and were a major reason for the vast growth of private pension plans.

The term "pattern" refers to a form of plan which has been adopted by certain international unions and, with minor variations, by individual companies or groups of companies. Historically, the pension provided was a flat dollar benefit which varied only by years of service. The steel industry has long been an exception, along with a few smaller industries, in that employee compensation was also taken into account. Recently other industries, notably the automotive and aerospace industries, have modified the pattern to take into account the compensation level. Pattern plans have other common characteristics: they are usually non-contributory; there is usually no Social Security offset; and usually there is no waiting period for eligibility. Conventional plans provide benefits which vary both with years of service and rate of compensation. Other plan provisions are also less standardized in areas such as eligibility and employee contributions.

Distribution of Assets of Noninsured Private Pension Funds

(000,000 Omitted)

Calendar Year	U.S. Government Securities	Corporate and Foreign Bonds	Corporate Equities	Mortgages	Open-Market Paper*	Time Deposits	Demand Deposits and Currency	Miscellaneous	Total
1952	$ 2,478	$ 4,548	$ 1,843	$ 149	—	—	$ 310	$ 514	$ 9,842
1955	2,992	7,853	6,085	321	—	—	415	676	18,342
1960	2,683	15,699	16,545	1,301	—	—	546	1,374	38,148
1965	2,994	22,703	41,114	3,385	—	—	941	3,230	74,367
1970	3,029	29,443	67,904	4,171	—	$ 698	1,106	5,677	112,028
1975	17,863	41,911	110,794	2,383	$ 9,066	8,365	4,400	30,230	225,012
1976	24,151	40,244	129,035	2,414	10,952	8,613	4,510	31,975	251,894
1977	29,810	44,552	127,356	2,486	11,408	11,985	4,835	39,291	271,723
1978	31,860	52,987	154,023	2,706	11,521	19,399	5,184	48,566	326,246
1979	38,555	63,691	180,503	2,968	16,578	25,109	5,055	53,659	386,118
1980	50,561	77,724	230,617	3,471	22,164	25,146	4,162	55,752	469,597
1981	66,883	83,328	222,550	3,878	31,069	25,691	3,426	49,914	486,739
1982	77,138	89,842	266,218	5,844	36,282	33,187	4,027	54,690	567,228
1983	89,200	100,300	320,600	6,500	43,500	40,700	4,800	76,800	682,500
1984	96,400	110,500	317,500	6,600	50,300	44,100	5,300	83,300	713,900
1985	104,500	121,000	412,400	7,000	59,000	51,700	6,200	86,300	848,100
1986	111,400	128,300	482,900	6,800	69,300	57,300	6,900	79,000	941,800
1987	123,200	157,400	489,600	5,700	85,400	72,300	8,500	61,500	1,003,500
1988	138,800	173,200	610,700	5,800	92,300	81,700	9,700	47,700	1,160,000
1989	147,200	172,100	699,700	6,700	80,900	65,100	7,700	42,400	1,221,800

*Includes Money Market Fund shares.

Note: Details may not add to totals due to rounding.

Source: Federal Reserve System

Government-Administered Programs

Social Security, the largest social and economic program of the federal government, is financed primarily through taxes on wages and self-employment income and provides benefit payments to retired and disabled persons, their dependents and survivors, as well as covering major medical expenses for the aged and long-term disabled.

Some 160 million persons had been in the program long enough to be fully insured for OASI at year-end 1989.

A total of $272 billion in Social Security taxes (excluding Medicare) was paid in 1989, including $129 billion by employers, $128 billion by employees and $15 billion by self-employed persons. Combined assets of the Social Security Trust Funds for cash benefits totaled $163 billion.

For 1989, Social Security payments amounted to $329 billion, including Medicare payments.

Federal Old-Age, Survivors and Disability Insurance Program

(000,000 omitted)

Year	Persons Insured for Retirement Benefits	Assets† (Trust Funds) (End of Year)	Contributions During Year*			
			Employer	Employee	Self-Employed	Total
1940	24.9	$ 2,031	$ 319	$ 319	—	$ 638
1945	40.3	7,121	643	643	—	1,285
1950	59.8	13,721	1,334	1,334	—	2,667
1955	71.4	21,663	2,730	2,664	$ 319	5,713
1960	85.4	22,613	5,632	5,543	701	11,876
1965	95.8	19,841	8,183	7,991	1,032	17,205
1970	108.1	38,068	16,643	16,321	1,774	34,737
1975	122.9	44,342	30,746	30,478	3,036	64,259
1976	125.9	41,133	34,381	34,080	3,133	71,595
1977	128.9	35,861	37,724	37,439	3,548	78,710
1978	133.3	31,746	42,745	42,370	3,768	88,883
1979	137.0	30,291	49,546	49,084	4,404	103,034
1980	139.5	26,453	56,036	55,692	4,983	116,711
1981	142.4	24,539	67,046	66,690	5,628	139,364
1982	144.5	24,778††	69,702	69,492	6,473	145,667
1983	145.9	24,867††	72,314	72,070	5,879	150,263
1984	147.9	31,075††	85,647	81,125	7,372	174,145
1985	150.7	42,163††	91,801	91,488	8,497	191,785
1986	153.0	46,861	98,964	98,454	9,611	207,029
1987	155.2	68,807	104,781	104,375	11,104	220,260
1988	157.6	109,762	117,728	117,165	14,317	249,209
1989	160.1	162,968	128,832	127,960	14,799	271,591

Note: Some data are revised. Data may not add to totals due to rounding.

*Figures do not include contributions to the hospital and medical insurance programs.

†Assets do not reflect solely the contributions paid for Social Security by the private economy, less payments and administration costs. For example, prior to 1940, contributions were paid into the government general funds, and an appropriation was then made to a "reserve account" from the general funds, not necessarily equal to the contributions. The OASI trust fund was established in 1940, and from time to time payments from government general funds have been made to this trust fund to cover special items, such as costs of benefits to survivors of certain World War II servicemen. The DI trust fund was established in 1957, and includes certain payments other than regular contributions, such as reimbursement for non-contributory credit for military service. Other payments from government general funds will be made into these funds in the future to cover costs of such items as the special payments to persons 72 and over provided in the Tax Adjustment Act of 1966. The assets shown above do not include funds in the two newest trust funds—the hospital insurance trust fund, effective January 1, 1966, and the supplementary medical insurance trust fund, effective July, 1966.

††Includes funds borrowed from the Hospital Insurance Trust Fund.

Source: Social Security Administration, U.S. Department of Health and Human Services.

Among the retirement systems established or maintained by the federal government for its civilian and military employees, only four systems have funding arrangements; benefits under the remaining systems are paid from current-year government appropriations. These four systems are the U.S. Civil Service Retirement System, the Retirement Plan for Employees of the Federal Reserve Board and Bank System, the Foreign Service Retirement System and the Tennessee Valley Authority Retirement System.

The largest is the U.S. Civil Service Retirement System which, with 3.2 million active workers on its rolls at year-end 1989, provided benefit payments in 1989 of $29.1 billion to 2.2 million retired workers and their survivors and dependents, and had accumulated assets of $216.7 billion. Employer and employee contributions totaled $29.9 billion in 1989.

Persons Receiving OASDI Benefits at End of Year and Amount of OASDI Benefits During Year*

(Thousands of persons and millions of dollars)

	Workers Retired for Age or Disability		Dependents of Retired & Disabled Workers and Survivors of Deceased Workers		Total**	
Year	Persons	Benefits	Persons	Benefits	Persons	Benefits
1940	112	$ 15	110	$ 8	222	$ 35
1945	518	126	770	122	1,288	274
1950	1,771	557	1,706	371	3,477	961
1955	4,474	3,253	3,487	1,603	7,961	4,968
1960	8,517	7,542	6,328	3,539	14,845	11,245
1965	12,089	12,230	8,778	5,864	20,867	18,311
1970	14,842	20,886	10,853	10,379	26,229	31,863
1975	19,077	44,987	12,784	21,403	32,085	66,923
1976	19,835	51,273	12,998	23,885	33,021	75,665
1977	20,658	57,642	13,260	26,467	34,077	84,576
1978	21,238	63,570	13,215	28,809	34,586	92,865
1979	21,840	71,712	13,172	32,083	35,124	104,263
1980	22,421	83,174	13,072	36,822	35,585	120,512
1981	22,972	97,993	12,958	42,559	36,006	140,995
1982	23,367	109,934	12,410	45,901	35,839	156,137
1983	23,988	118,774	12,046	47,970	36,085	167,032
1984	24,503	125,580	11,935	49,900	36,479	175,762
1985	25,089	133,306	11,938	52,627	37,058	186,195
1986	25,714	140,993	11,969	55,496	37,708	196,692
1987	26,226	146,566	11,946	57,554	38,190	204,156
1988	26,689	156,152	11,939	61,062	38,627	217,214
1989	27,222	166,341	11,929	64,509	39,151	230,850

*Benefits include monthly pensions and other payments, and lump sum payments.

**Includes special age 72 benefits.

Source: Social Security Administration, U.S. Department of Health and Human Services.

Federal Civilian Retirement Systems

(Thousands of persons and millions of dollars)

	Number of Persons				Contributions in Year			Benefits Paid in Year			
		Receiving Benefits									
	Not Yet Receiving Benefits	Retired or Disabled	Survivors, Dependents	Total	Employers	Employees	Total	Age, Service, and Disability	Dependents and Survivors	Total	Assets and Reserves
1986											
U.S. Civil Service	2,800	1,517	530	4,847	$22,980	$4,715	$27,695	$20,112	$3,304	$23,416	$160,854
Federal Reserve System	25	9	1	35	19	3	22	52	6	58	1,671
Foreign Service	14	8	1	23	42	41	83	225	20	245	3,311
Tennessee Valley Authority	25	7	1	33	78	23	101	68	6	74	1,770
Total	2,864	1,541	533	4,938	$23,119	$4,782	$27,901	$20,457	$3,336	$23,793	$167,606
1987											
U.S. Civil Service	2,880	1,546	544	4,970	$23,144	$4,641	$27,785	$20,846	$3,485	$24,331	$178,722
Federal Reserve System	25	9	1	35	—	2	2	52	6	58	1,712
Foreign Service	15	8	1	24	52	40	92	240	19	259	3,552
Tennessee Valley Authority	27	7	2	36	86	26	112	75	7	82	1,960
Total	2,947	1,570	548	5,065	$23,282	$4,709	$27,991	$21,213	$3,517	$24,730	$185,946
1988											
U.S. Civil Service	3,055	1,577	553	5,185	$24,258	$4,544	$28,802	$23,889	$3,749	$27,638	$197,111
Federal Reserve System	25	9	1	35	—	2	2	57	6	63	1,866
Foreign Service	14	10	1	25	62	33	95	287	23	310	3,907
Tennessee Valley Authority	24	10	2	36	95	24	119	94	8	102	2,261
Total	3,118	1,606	557	5,281	$24,415	$4,603	$29,018	$24,327	$3,786	$28,113	$205,145
1989											
U.S. Civil Service	3,236	1,599	566	5,401	$25,367	$4,491	$29,858	$25,095	$4,033	$29,128	$216,700
Federal Reserve System	25	10	1	36	—	2	2	64	6	70	2,214
Foreign Service	15	11	2	28	78	33	111	325	26	351	4,374
Tennessee Valley Authority	22	10	2	34	80	21	101	109	9	118	2,675
Total	3,298	1,630	571	5,499	$25,525	$4,547	$30,072	$25,593	$4,074	$29,667	$225,963

Sources: U.S. Office of Personnel Management; Federal Reserve Employee Benefit System; U.S. Department of State; and George B. Buck Consulting Actuaries.

The Railroad Retirement System is the only retirement system administered by the federal government that covers a single industry. The System was set up under the Railroad Retirement Act of 1937 to provide financial stability among various railroad plans that were facing bankruptcy after many years of financial difficulties. The Railroad System is coordinated with the Social Security system to provide adequate levels of retirement benefits.

At year-end 1989, the Railroad Retirement System covered 297,000 workers and in 1989 paid retirement benefits of $4.2 billion to 402,000 age, service and disability annuitants. In addition, over $2.7 billion was paid to some 510,000 dependents and survivors. The Railroad system is affected by the 1977 Social Security law's provisions regarding adjustments for inflation.

Railroad Retirement System

(Thousands of persons and millions of dollars)

	Number of Persons				Contributions in Year†			Benefits Paid in Year			
Year	Not Yet Receiving Benefits	Retired or Disabled	Survivors and Dependents	Total	Employers	Employees	Total	Retired or Disabled	Survivors and Dependents	Total	Assets
1930	*	*	—	1,400	$ 30	—	$ 30	N.A.	—	N.A.	—
1940	1,205	141	3	1,349	65	$ 65	130	$ 114	—	$ 114	$ 136
1950	1,494	251	136	1,881	273	273	546	254	N.A.	N.A.	2,553
1960	862	384	408	1,654	298	298	596	626	$ 336	962	3,740
1970	650	444	539	1,633	493	467	960	1,108	663	1,771	4,398
1971	595	440	543	1,578	475	450	925	1,200	802	2,002	4,300
1972	586	447	542	1,575	525	475	1,000	1,350	825	2,175	4,100
1973	589	443	550	1,582	540	500	1,040	1,550	1,015	2,565	3,800
1974	585	457	546**	1,588	1,201	421	1,622	1,710	1,098	2,808	3,600
1975	532	469	563**	1,564	1,209	423	1,632	1,970	1,313	3,283	3,100
1976	541	466	565**	1,572	1,325	465	1,790	2,102	1,469	3,571	3,065
1977	534	464	569**	1,567	1,457	507	1,964	2,245	1,579	3,824	2,584
1978	553	459	568**	1,580	1,520	546	2,066	2,353	1,668	4,021	2,787
1979	545	455	567**	1,567	1,732	682	2,414	2,552	1,810	4,362	2,611
1980	518	451	564**	1,533	1,845	717	2,562	2,839	2,027	4,866	2,086
1981	477	447	559**	1,483	1,971	838	2,809	3,128	2,243	5,371	1,126
1982	404	443	557**	1,404	2,193	1,015	3,208	3,421	2,422	5,843	460
1983	393	438	552**	1,383	2,169	1,004	3,173	3,565	2,489	6,054	601
1984	386	431	545**	1,362	2,548	1,192	3,740	3,623	2,509	6,132	3,712
1985	346	425	538**	1,309	2,586	1,278	3,864	3,715	2,555	6,270	5,109
1986	323	418	530**	1,271	2,578	1,286	3,864	3,795	2,586	6,381	6,365
1987	308	412	523**	1,243	2,537	1,268	3,805	3,919	2,626	6,545	6,860
1988	307	406	516**	1,229	2,847	1,456	4,303	4,062	2,678	6,740	8,031
1989	297	402	510**	1,209	2,535	1,202	3,737	4,231	2,752	6,983	8,906

N.A. = Not Available.

*Not available separately.

**Figure includes employee annuitants also receiving benefits as dependents of survivors.

†Excludes financial interchange transfers from Social Security trust funds.

Source: U.S. Railroad Retirement Board.

State and local government retirement systems are designed to provide retirement benefits for teachers, police officers, firefighters and other employees of state, county and city governments. In 1988, such government pension plans paid $29.7 billion in benefits to an estimated 3.7 million retired workers and their survivors and dependents. Assets held by these systems totaled $577.6 billion at year-end 1988. Employers and employees contributed $42.5 billion to the plans, with employers paying 72.1%.

State and Local Government Retirement Plans

(Thousands of persons and millions of dollars)

	Number of Persons				Contributions in Year			Benefits Paid in Year			
Year	Not Yet Receiving Benefits	Retired or Disabled	Survivors and Dependents	Total	Employers	Employees	Total	Retired or Disabled	Survivors and Dependents	Total	Assets
1950	2,600	254	40	2,894	$ 510	$ 395	$ 905	$ 274	$ 26	$ 300	$ 5,154
1960	4,500	590	70	5,160	1,725	1,170	2,895	940	75	1,015	19,600
1970	7,300	1,171	120	8,591	4,920	2,975	7,895	2,905	215	3,120	58,200
1971	7,700	1,254	125	9,079	5,495	3,280	8,775	3,372	248	3,620	64,800
1972	8,100	1,333	130	9,563	6,050	3,570	9,620	4,085	250	4,335	73,400
1973	8,300	1,415	135	9,850	6,649	4,166	10,815	4,785	290	5,075	82,700
1974	9,000	1,495	140	10,635	7,821	4,207	12,028	5,495	340	5,835	92,400
1975	9,500	1,585	145	11,230	9,116	4,488	13,604	6,335	390	6,725	103,700
1976	10,450	1,690	150	12,290	10,502	4,808	15,310	7,250	450	7,700	117,300
1977	10,951	1,989	184	13,124	12,369	5,233	17,602	7,965	490	8,455	130,800
1978	11,080*	2,120*	200*	13,400*	13,621	5,688	19,309	8,945*	605*	9,550	142,573
1979	11,210*	2,260*	210*	13,680*	15,336	6,069	21,405	10,035*	735*	10,770	161,649
1980	11,340*	2,390*	220*	13,950*	17,532	6,466	23,998	11,307*	900*	12,207	185,226
1981	11,480*	2,520*	230*	14,230*	20,020	7,289	27,309	12,972*	858*	13,830	209,444
1982	11,607	2,654	244	14,504	21,808	8,123	29,931	14,849	831	15,680	245,252
1983	11,370	2,873	221	14,464	22,956	8,699	31,655	16,750	734	17,484	289,731
1984	11,496	3,051	241	14,788	24,977	8,845	33,822	18,942	872	19,814	324,369
1985	11,842	3,140	253	15,235	27,399	9,479	36,878	21,025	968	21,993	373,932
1986	11,907	3,252	267	15,426	28,599	10,586	39,185	23,408	1,033	24,442	437,229
1987**	11,763	3,463	234	15,460	30,384	11,241	41,625	25,045	985	26,030	512,854
1988**	12,155	3,438	271	15,864	30,642	11,882	42,524	28,469	1,255	29,724	577,621

*Estimated.

**Estimate based on unpublished preliminary data.

Note: Beneficiaries are as of June 30. Financial data is on a calendar year basis prior to 1977, and on a June 30 fiscal year basis thereafter. Details may not add to totals due to rounding.

Source: Bureau of the Census, U.S. Department of Commerce.

LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1989 was 8.8%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 18.6%; for those in force for two years or longer it was 6.7%.

In 1989, a total of $14.9 billion in cash values was paid to American policyholders. This figure does not include cash values used to obtain paid-up life insurance in a reduced amount or extended coverage for a specified period of time.

Policyholders have different reasons for terminating their policies; sometimes they use cash values to meet financial emergencies or in accordance with long-term goals. Also, in periods of inflation policy lapses increase.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

Voluntary Termination Rate

Ordinary Policies in Force in the United States

Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force	Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force
1951	9.4%	2.2%	3.2%	1976	19.7%	4.6%	6.6%
1955	11.4	2.5	3.8	1977	19.5	4.7	6.6
1960	14.5	3.7	5.2	1978	19.6	4.6	6.6
1965	15.4	3.5	5.1	1979	21.0	5.1	7.2
1966	16.2	3.5	5.2	1980	22.4	5.8	8.1
1967	16.5	3.6	5.2	1981	23.5	6.6	8.9
1968	18.0	3.7	5.5	1982	24.4	7.6	10.0
1969	18.3	3.7	5.6	1983	25.1	8.6	11.0
1970	19.3	3.9	5.9	1984	23.0	9.6	11.9
1971	19.0	3.9	5.8	1985	20.9	10.3	12.3
1972	19.3	3.9	6.0	1986	21.7	9.0	11.1
1973	18.8	4.3	6.3	1987	20.5	8.3	10.2
1974	19.5	4.5	6.5	1988	19.8	7.0	9.3
1975	20.9	4.5	6.7	1989	18.6	6.7	8.8

Note: The rate is the ratio of the number of policies lapsed or surrendered to the mean number of policies in force.

Source: American Council of Life Insurance.

INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investment.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1989, total income of all U.S. life companies was $367.3 billion; 66.5% was from premium receipts and 28.3% from investment earnings. The remaining 5.2% came from other sources, mainly considerations (payments) for supplementary contracts.

Income of U.S. Life Insurance Companies (000,000 omitted)

Year	Premium Receipts				Investment Income**	Other Income†	Total Income
	Life Insurance Premiums	Annuity Considerations	Health Insurance Premiums*	Total Premium Receipts			
1911	$ 626	$ 4	—	$ 630	$ 182	$ 24	$ 836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	$ 1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1971	22,935	4,910	12,897	40,742	11,031	2,429	54,202
1972	24,678	5,503	14,318	44,499	12,127	2,222	58,848
1973	26,373	6,771	15,524	48,668	13,670	2,415	64,753
1974	27,750	7,737	17,123	52,610	15,144	2,256	70,010
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1976	31,358	13,962	21,059	66,379	18,758	3,421	88,558
1977	33,765	14,974	23,580	72,319	21,713	3,953	97,985
1978	36,592	16,339	25,829	78,760	25,294	4,152	108,206
1979	39,083	17,939	27,894	84,916	29,562	4,661	119,139
1980	40,829	22,429	29,366	92,624	33,928	4,336	130,888
1981	46,246	27,579	31,803	105,628	39,774	6,464	151,866
1982	50,800	34,644	34,960	120,404	45,532	4 108	170,044
1983	50,265	30,544	38,201	119,010	50,862	6,154	176,026
1984	51,274	42,859	40,671	134,804	59,213	12,092	206,109
1985	60,127	53,899	41,837	155,863	67,952	10,212	234,027
1986	66,213	83,712‡	44,153	194,078	75,435	12,744	282,257
1987	76,737	88,677	47,549	212,963	82,875	18,460	314,298
1988	73,531	103,278	52,306	229,115	92,042	16,983	338,140
1989	73,290	114,997	56,079	244,366	103,965	18,987	367,318

Note: Consideration for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included in this series.

*Includes some premiums for Workers' Compensation and auto and other liability insurance.

**Beginning with 1951, investment income is net of investment expenses in this series.

†Beginning in 1975, "Other Income" includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

‡Unusually large increase in annuity premiums in 1986 was due to an NAIC-mandated change in statutory reporting methods.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Premium receipts and annuity considerations totaled $244.4 billion. Americans spent the equivalent of 4.98% of total disposable personal income in 1989 for life insurance and annuities, compared with 5.08% during 1988.

Premium Receipts

U.S. Life Insurance Companies (000,000 omitted)

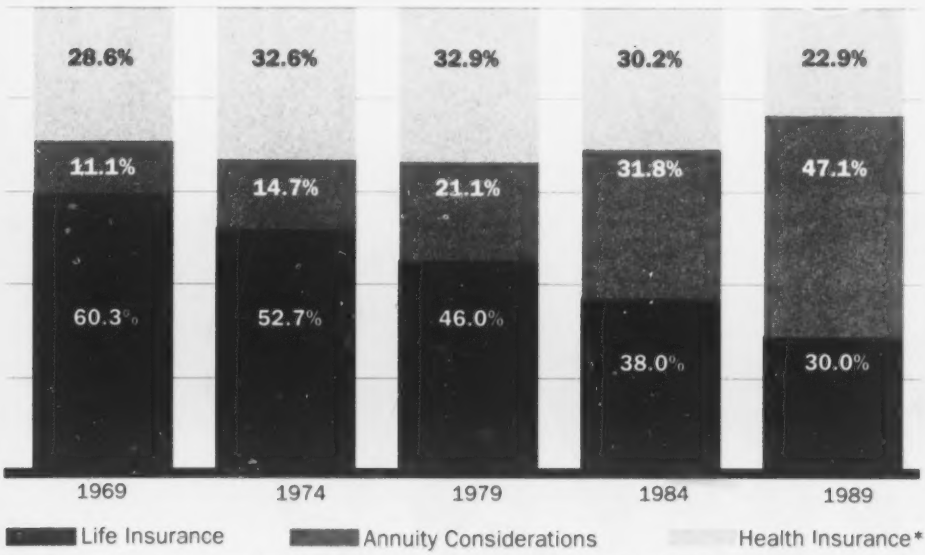
	1985	1986	1987	1988	1989
LIFE INSURANCE PREMIUMS					
Ordinary	$ 46,096	$ 51,618	$ 62,134	$ 58,017	$ 57,558
Group	11,041	11,826	11,779	12,712	13,120
Industrial	905	787	724	696	616
Credit	2,085	1,982	2,100	2,106	1,996
Total Life Insurance Premiums	60,127	66,213	76,737	73,531	73,290
ANNUITY CONSIDERATIONS					
Individual	20,891	26,117	33,764	43,784	49,407
Group	33,008	57,595*	54,913	59,494	65,590
Total Annuity Considerations	53,899	83,712	88,677	103,278	114,997
HEALTH INSURANCE PREMIUMS					
Individual	9,143	10,379	10,924	11,707	12,812
Group	31,023	32,130	35,033	38,826	41,709
Credit	1,671	1,644	1,592	1,773	1,558
Total Health Insurance Premiums	41,837	44,153	47,549	52,306	56,079
Total Premium Receipts	$155,863	$194,078	$212,963	$229,115	$244,366

Note: Credit life insurance is limited to insurance on loans of 10 years' or less duration.

*Unusually large increase in group annuity considerations due to an NAIC-mandated change in statutory reporting methods.

Source: American Council of Life Insurance.

Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies (000,000 omitted)

	First Year	Single*	Renewal	Total
1969	$ 1,758	$ 784	$12,291	$14,833
1970	1,869	843	12,951	15,663
1971	1,985	955	13,627	16,567
1972	2,196	1,087	14,418	17,701
1973	2,380	1,033	15,345	18,758
1974	2,575	1,136	16,112	19,823
1975	2,705	1,244	17,083	21,032
1976	3,034	1,359	18,099	22,492
1977	3,314	1,482	19,365	24,161
1978	3,668	1,730	20,943	26,341
1979	4,019	1,851	22,100	27,970
1980	4,520	2,183	22,760	29,463
1981	5,927	2,242	26,305	34,474
1982	5,948	2,935	29,488	38,371
1983	6,910	4,008	27,060	37,978
1984	8,794	4,513	25,318	38,625
1985	10,858	6,760	28,478	46,096
1986	11,524	9,744	30,350	51,618
1987	12,484	15,645	34,005	62,134
1988	10,670	11,754	35,593	58,017
1989	10,658	8,722	38,178	57,558

Note: Credit life premiums were included in data for 1969–1972. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded.

*Includes dividend additions, excess premiums (over planned periodic premiums) and single premium riders.

Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957–1968 by the Life Insurance Marketing and Research Association.

Individual Annuity Considerations

U.S. Life Insurance Companies (000,000 omitted)

	First Year	Single	Renewal	Total
1969	$ 150	$ 243	$ 462	$ 855
1970	183	230	547	960
1971	196	362	649	1,207
1972	276	425	758	1,459
1973	268	545	863	1,676
1974	361	563	1,000	1,924
1975	728	808	1,128	2,664
1976	828	1,321	1,564	3,713
1977	819	1,892	1,841	4,552
1978	879	1,510	2,065	4,454
1979	802	1,859	2,315	4,976
1980	839	3,033	2,424	6,296
1981	1,240	6,100	2,950	10,290
1982	2,863	8,769	3,564	15,196
1983	2,211	7,842	3,950	14,003
1984	2,385	8,673	4,648	15,706
1985	3,390	11,095	6,406	20,891
1986	4,683	13,281	8,153	26,117
1987	6,238	18,578	8,948	33,764
1988	7,875	28,053	7,856	43,784
1989	7,737	32,789	8,881	49,407

Source: American Council of Life Insurance.

Some 30.0% of all premium receipts in 1989 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities. In 1969, the proportion was 60.3%; by 1979 the proportion had dropped to 46.0%.

Ordinary policy premiums accounted for $57.6 billion, or 78.5% of the life insurance premiums in 1989. Most ordinary premiums, 66.3%, were renewals. Group insurance premiums amounted to $13.1 billion, or 17.9% of all life insurance premiums, while industrial premiums accounted for $616 million, or 0.9%. Credit life premiums totaled $2.0 billion, or 2.7%.

Annuity considerations totaled $115.0 billion, or 47.1% of total premium income in 1989. These payments have grown rapidly as a proportion of total premium receipts. In 1969, the proportion was 11.1%, and by 1979 it grew to 21.1%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1989 was $7.7 billion. Total considerations were equal to 3.04% of disposable personal income in 1989.

Health insurance premiums accounted for $56.1 billion, or 22.9% of total premiums in 1989, compared to 32.9% 10 years earlier.

Ratio of Premiums to Disposable Personal Income

Ratio of Premiums and Annuity Considerations To Disposable Personal Income

Year	Ordinary Life Premiums	Total Life Premiums	Annuity Considerations	Total
1929	N.A.	3.98%	.11%	4.09%
1930	N.A.	4.68	.14	4.82
1935	N.A.	5.50	.85	6.34
1940	3.37%	4.67	.51	5.18
1945	2.18	3.06	.38	3.46
1950	2.16	3.01	.45	3.46
1955	2.24	3.19	.46	3.66
1960	2.41	3.34	.37	3.72
1965	2.41	3.30	.46	3.77
1970	2.19	3.03	.52	3.55
1971	2.13	2.95	.63	3.58
1972	2.11	2.94	.66	3.59
1973	1.98	2.78	.71	3.49
1974	1.91	2.67	.75	3.42
1975	1.84	2.57	.89	3.46
1976	1.80	2.50	1.11	3.62
1977	1.75	2.45	1.09	3.53
1978	1.70	2.36	1.05	3.41
1979	1.62	2.26	1.04	3.30
1980	1.54	2.13	1.17	3.30
1981	1.62	2.17	1.30	3.47
1982	1.70	2.25	1.53	3.78
1983	1.56	2.07	1.26	3.33
1984	1.45	1.92	1.61	3.53
1985	1.62	2.12	1.90	4.02
1986	1.71	2.20	2.78*	4.98
1987	1.94	2.39	2.77	5.16
1988	1.67	2.11	2.97	5.08
1989	1.53	1.94	3.04	4.98

Note: Some data are revised. Credit life premiums were included in the "Ordinary Life" category in years prior to 1973 and excluded from that category in 1973 and subsequent years. The sum of "Total Life Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

*Unusually large increase due to NAIC-mandated change in reporting method for group annuity considerations.

N.A.—Not available.

Sources: U.S. Department of Commerce, *Spectator Year Book* and American Council of Life Insurance.

Premium Receipts of U.S. Life Insurance Companies by State

(000,000 omitted)

	1987		1988		1989	
	Life	Health	Life	Health	Life	Health
Alabama	$ 1,088	$ 692	$ 1,068	$ 719	$ 1,040	$ 743
Alaska	122	137	114	162	103	192
Arizona	1,127	882	1,041	827	844	780
Arkansas	466	324	454	339	421	358
California	7,167	5,162	6,737	5,825	6,286	6,187
Colorado	1,054	609	966	698	875	768
Connecticut	1,341	727	1,240	875	1,285	1,022
Delaware	282	134	314	136	380	161
D.C.	195	313	192	364	196	390
Florida	3,767	2,665	3,352	2,886	3,012	3,229
Georgia	1,845	1,352	1,841	1,474	1,926	1,613
Hawaii	337	94	331	104	304	111
Idaho	242	109	236	124	211	124
Illinois	3,660	2,755	3,562	3,036	3,309	3,360
Indiana	1,488	1,050	1,466	1,099	1,387	1,169
Iowa	978	493	918	552	867	591
Kansas	737	381	727	421	690	462
Kentucky	762	505	738	557	757	574
Louisiana	1,264	811	1,187	827	1,085	866
Maine	254	202	250	224	245	246
Maryland	1,239	676	1,235	815	1,274	896
Massachusetts	1,788	996	1,762	1,151	1,719	1,252
Michigan	2,281	1,262	2,170	1,341	2,079	1,460
Minnesota	1,180	662	1,125	743	1,084	764
Mississippi	584	525	565	529	524	529
Missouri	1,519	1,210	1,522	1,335	1,447	1,303
Montana	210	123	191	141	171	155
Nebraska	521	374	505	400	471	421
Nevada	229	162	220	185	214	215
New Hampshire	289	176	310	211	281	243
New Jersey	2,806	1,594	2,781	1,921	2,801	2,338
New Mexico	324	218	294	245	280	267
New York	5,734	4,173	5,659	4,705	5,711	5,144
North Carolina	1,747	1,032	1,698	1,142	1,735	1,289
North Dakota	196	102	174	106	170	104
Ohio	3,045	1,699	2,949	1,932	2,792	2,005
Oklahoma	789	565	739	598	670	641
Oregon	644	384	596	410	561	360
Pennsylvania	3,410	1,514	3,345	1,597	3,445	1,713
Rhode Island	298	98	288	123	276	96
South Carolina	914	543	897	595	876	639
South Dakota	222	157	197	165	190	177
Tennessee	1,204	1,000	1,189	1,103	1,161	1,109
Texas	4,343	3,323	4,243	3,504	3,896	3,753
Utah	427	241	379	245	336	237
Vermont	154	80	142	94	142	115
Virginia	1,614	887	1,630	999	1,629	1,062
Washington	1,066	488	990	591	913	606
West Virginia	388	292	368	307	376	313
Wisconsin	1,270	907	1,217	978	1,140	1,055
Wyoming	126	74	114	82	107	86
Total U.S.	$68,737	$44,934	$66,228	$49,542	$63,694	$53,293

Note: Data refer to direct premiums collected in each state, without deducting reinsurance ceded, but excluding reinsurance assumed and deposit administration funds.

Source: American Council of Life Insurance

Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 9.10% in 1989 from 9.03% in 1988, reversing three successive annual declines. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before federal income taxes.

Investment income is largely interest income on bonds and mortgage loans, dividends on stocks, and rent on real estate owned. Capital gains or losses are excluded from investment income.

The increase of 7 basis points in the portfolio rate of investment income in 1989 compares to a decline of 7 basis points in 1988.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1989, common stocks were 44.9% of separate account assets, up from 41.3% in 1988.

Excluding the separate accounts, the portfolio rate of the general accounts averaged 9.47% in 1989. The general account rate of investment income rose 6 basis points from 1988.

Net Rate of Investment Income

U.S. Life Insurance Companies

Year	Rate	Year	Rate
1915	4.77%	1940	3.45%
1920	4.83	1945	3.11
1925	5.11	1950	3.13
1930	5.05	1955	3.51
1935	3.70	1960	4.11

	Rate			Rate	
Year	Including Separate Accounts	Excluding Separate Accounts	Year	Including Separate Accounts	Excluding Separate Accounts
1965	4.61%	4.61%	1978	7.31%	7.39%
1966	4.73	4.73	1979	7.73	7.78
1967	4.82	4.83	1980	8.02	8.06
1968	4.95	4.97	1981	8.57	8.53
1969	5.12	5.15	1982	8.91	8.87
1970	5.30	5.34	1983	8.96	9.08
1971	5.44	5.52	1984	9.45	9.65
1972	5.56	5.69	1985	9.63	9.87
1973	5.88	6.00	1986	9.35	9.64
1974	6.25	6.31	1987	9.10	9.39
1975	6.36	6.44	1988	9.03	9.41
1976	6.55	6.68	1989	9.10	9.47
1977	6.89	7.00			

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any federal income taxes.

Source: American Council of Life Insurance.

THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1989 premiums paid for life and health insurance policies and payments for annuities accounted for 69.7 cents. The remainder of the composite dollar consisted chiefly of earnings on investments.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1983 (the latest year for which information is available) show that investment earnings accounted for 29.4 cents of each life insurance income dollar and 47.6 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the proportion of the company dollar represented by insurance premiums and annuity considerations was 68.1 cents in 1989 and investment earnings and other income accounted for 31.9 cents. For stock companies, insurance premiums and payments for annuities accounted for 70.9 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 29.1 cents.

Proportions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

Life Insurance Company Dollar 1989

U.S. Life Insurance Companies

INCOME	
Premiums	69.7¢
Net Investment Earnings and Other Income	30.3
	100.0¢
HOW USED	
Benefit Payments and Additions to Funds for Policyholders and Beneficiaries	
Benefit Payments in Year	53.1¢
Additions to Policy Reserve Funds	30.0
Additions to Special Reserves and Surplus Funds	1.7
	84.8
Operating Expenses	
Commissions to Agents	4.7
Home and Field Office Expenses	7.0
	11.7
Taxes	2.0
Dividends to Stockholders of Stock Life Insurance Companies	1.5*
	100.0¢

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($350,289 million) differs from that shown on page 68. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income.

*For stock companies only this ratio would be 2.4¢ per dollar.

Source: American Council of Life Insurance.

In 1989, mutual life insurance companies with $500 million or more in assets as of 1980 received 67.7 cents of their income dollar from premiums and 32.3 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1980, received 79.0 cents from premiums and 21.0 cents from investments and other income.

For stock life insurance companies, the proportion of the 1989 income dollar represented by premiums and annuity considerations was 66.0 cents for companies with assets of $500 million or more as of 1980 and 75.5 cents for companies with under $500 million in assets as of 1980.

Of the 1989 industry outgo dollar, 84.8 cents was assigned to meet current or future obligations. That included 53.1 cents paid in benefits to policyholders or to beneficiaries during the year, 30.0 cents added to policy reserves for future benefit payments and 1.7 cents added to special reserves and surplus funds. Current benefits were 66.8 cents of the mutual company outgo dollar in 1989, compared with 43.6 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, 54.7 cents of the income dollar in 1983 (the latest year for which data are available) was needed for benefits and 20.6 cents was added to reserves. The annuity line set aside 63.3 cents for reserves, while the health line needed 67.1 cents of the income dollar to pay claims and policy dividends.

Operating expenses based on industry aggregates declined from the previous year to 11.7 cents. This proportion had remained about the same for several decades. Its decline during the past eleven years reflects the expansion of the annuity field; annuities have lower sales expenses. Included in the 1989 figure were 7.0 cents for expenses of home and field offices and 4.7 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling a policy are higher than those of maintaining older policies.

A total of 2.0 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). On an overall dollar basis, stock dividends to shareholders amounted to 1.5 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.4 cents of the outgo dollar.

TAXES

A major tax obligation of U.S. legal reserve life insurance companies is the payment of state taxes on premiums collected by the companies in each state. In 1989, U.S. life insurance companies incurred $2.2 billion dollars on premiums collected from life, health and annuity business. This was $33 million, or 1.5% less than in 1988, but almost twice the amount paid 10 years earlier.

As employers of more than a half a million home office personnel, U.S. life insurance companies were liable for $1.0 billion in federal Social Security taxes in 1989. This figure does not include Social Security taxes paid by employees or by agents who are self-employed persons.

Real-estate holdings, which account for $39.9 billion of U.S. life insurance company assets, generated a tax bill of $803 million in 1989. This was $68 million, or 9.3%, more than was incurred in 1988.

Federal income taxes incurred by U.S. life insurance companies and reported in prior editions of this publication have shown little correlation with taxes actually paid by the companies. The incurred figures reported in annual statements are based on cash payments during the year plus the change in estimated liabilities from the end of one year to the end of the next year. In some years, such figures have been very different from the figures later reported in company tax returns and provide a misleading impression of the federal income tax burden of life insurance companies. Such years often occur after major changes in tax laws. Thus, these data have been eliminated from the following table.

Selected Taxes, Licenses and Fees of U.S. Life Insurance Companies

(000,000 omitted)

Year	State Taxes on Premiums	Federal Social Security Taxes	Real Estate Taxes	Miscellaneous Taxes, Licenses and Fees
1947	$ 100	$ 7	$ 17	$ 20
1950	123	12	27	23
1955	189	26	39	29
1960	270	53	68	50
1965	396	77	98	63
1970	568	159	149	96
1971	660	178	172	121
1972	708	198	198	142
1973	766	249	207	157
1974	785	280	224	174
1975	840	299	282	188
1976	914	321	291	219
1977	1,000	345	312	248
1978	1,077	389	336	282
1979	1,131	449	286	331
1980	1,177	493	317	306
1981	1,256	588	324	295
1982	1,402	629	402	354
1983	1,551	717	439	371
1984	1,636	794	460	429
1985	1,791	814	537	487
1986	1,936	875	602	536
1987	2,169	900	664	504
1988	2,249	959	735	554
1989	2,216	1,003	803	648

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

Source: American Council of Life Insurance

RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $1,083.7 billion at the end of 1989. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1989 included $324.2 billion for life insurance policies, $29.9 billion for health insurance policies and $729.6 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Policy Reserves

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 670	1910	$3,226	1925	$ 9,927	1940	$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946

			Annuities				
					Supplementary Contracts		
Year	Life Insurance	Health Insurance	Individual	Group	With Life Contingencies	Without Life Contingencies	Total
1955	$ 54,588	$ 575	*	$ 13,216	$1,895	$5,085	$ 75,359
1960	70,791	865	$ 4,327	14,952	2,674	4,864	98,473
1965	90,795	1,432	5,028	22,187	3,281	4,897	127,620
1970	115,442	3,474	6,951	34,009	3,726	4,177	167,779
1971	121,585	3,892	7,655	38,476	3,905	4,136	179,649
1972	128,257	4,347	8,560	43,503	3,937	4,155	192,759
1973	135,292	4,910	9,482	46,607	4,066	4,164	204,521
1974	142,273	5,607	10,511	49,861	4,176	4,079	216,507
1975	150,063	6,293	12,442	59,907	4,280	4,131	237,116
1976	158,359	6,962	15,347	73,393	4,410	4,304	262,775
1977	167,281	8,329	18,932	84,285	4,563	4,542	287,932
1978	177,743	9,596	23,057	98,673	4,751	4,663	318,483
1979	188,177	10,416	27,103	116,443	4,985	4,513	351,637
1980	197,865	11,015	31,543	140,417	5,215	4,284	390,339
1981	206,986	11,931	38,800	160,992	5,364	3,958	428,031
1982	213,783	13,181	51,002	191,898	5,654	3,842	479,360
1983	220,968	14,956	64,661	221,724	5,873	4,259	532,441
1984	225,904	16,552	76,983	254,592	5,831	4,331	584,193
1985	235,854	18,805	96,969	303,021	5,941	4,712	665,302
1986	252,035	21,294	121,146	355,756	6,283	5,410	761,924
1987	276,404	23,994	156,135	392,540	6,761	6,299	862,133
1988	299,901	26,852	193,820	433,889	7,339	7,162	968,963
1989	324,178	29,855	239,593	473,934	7,939	8,179	1,083,678

Note: Before 1947, the business of health insurance departments of life companies was not included in this series.

*Included with "Group Annuities."

Sources: *Spectator Year Book* and American Council of Life Insurance

Life insurance policy reserves consisted of $296.9 billion for ordinary life policies, nearly $12.6 billion for group policies, $12.3 billion for industrial life policies, and $2.4 billion for credit life policies.

Annuity reserves consisted of $239.6 billion for individual annuities, $473.9 billion for group annuities and $7.9 billion for life annuities under supplementary contracts with life contingencies.

The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves are declining in relation to the proportion of reserves set aside for annuity contracts. In 1969, life insurance reserves were 69.4% of the total. By 1979, the proportion was 53.5%, and by 1989, it had dropped to 29.9%. In the same period, annuity reserves increased from 26.0% in 1969 to 42.2% in 1979 and to 66.6% at the end of 1989. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1989 included $17.3 billion in accumulated policy dividends left with the life insurance companies at interest; some $13.4 billion set aside for the following year's policy dividend payments; and $101.7 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Included in reserves and obligations at the end of 1989 was $142.6 billion in separate investment accounts, used for certain types of pension plans and for variable life insurance and annuities.

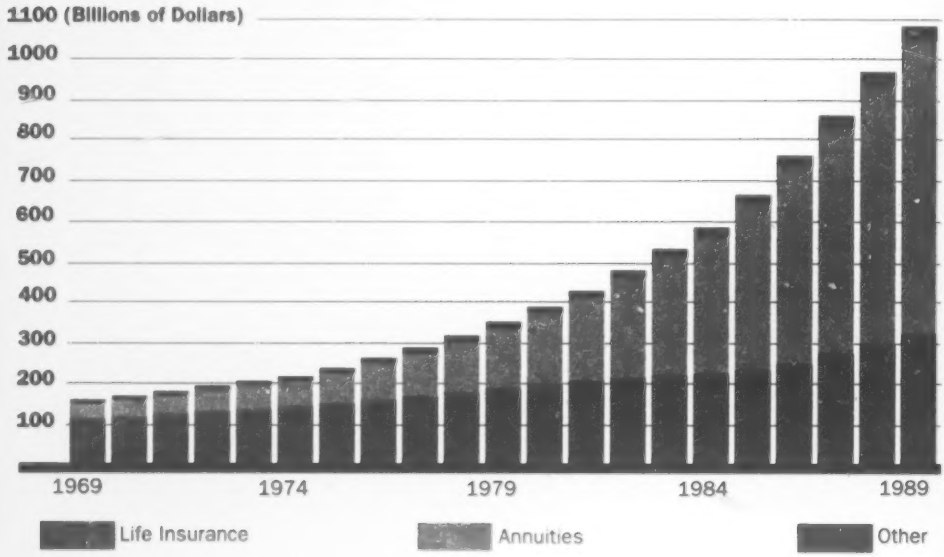
Surplus funds amounted to $80.6 billion at the end of 1989. These funds provided extra reserve safeguards for such contingencies as an unexpected rise in death rates among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was $3.1 billion at the end of 1989. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $589.1 billion, or 54.4% of the total reserves of all U.S. life insurance companies in 1989. Reserves of mutual life companies amounted to $494.6 billion, or 45.6% of the total.

Growth of Policy Reserves

U.S Life Insurance Companies



Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies (000,000 omitted)

Year	Ordinary	Group	Industrial	Credit	Total
1956	$ 47,429	$ 787	$ 9,446	—	$ 57,662
1960	58,897	1,267	10,627	—	70,791
1965	76,865	2,011	11,919	—	90,795
1970	100,076	3,093	12,273	—	115,442
1975	132,032	4,995	12,336	$ 700	150,063
1976	139,356	5,648	12,635	720	158,359
1977	147,414	6,415	12,624	828	167,281
1978	156,862	7,219	12,627	1,035	177,743
1979	166,106	8,132	12,682	1,257	188,177
1980	175,250	8,818	12,622	1,175	197,865
1981	183,771	9,379	12,636	1,200	206,986
1982	190,241	9,766	12,548	1,228	213,783
1983	196,871	10,148	12,595	1,354	220,968
1984	202,523	9,111	12,786	1,484	225,904
1985	211,799	9,927	12,405	1,723	235,854
1986	226,579	10,770	12,716	1,970	252,035
1987	251,108	10,559	12,407	2,330	276,404
1988	273,403	11,581	12,450	2,467	299,901
1989	296,870	12,569	12,298	2,441	324,178

Note: "Credit" life insurance is limited to insurance on loans of 10 years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

Source: American Council of Life Insurance.

Obligations and Surplus Funds

U.S. Life Insurance Companies (000,000 omitted)

Year	Policy Reserves	Policy Dividend Accumulations	Funds Set Aside for Policy Dividends	Other Obligations	Surplus Funds	Capital (Stock Companies)	Total
1952	$ 62,579	$ 1,675	$ 841	$ 3,024	$ 4,884	$ 372	$ 73,375
1955	75,359	2,239	1,201	4,625	6,475	533	90,432
1960	98,473	3,381	1,780	6,268	8,827	847	119,576
1965	127,620	4,326	2,647	10,455	12,468	1,368	158,884
1970	167,779	6,068	3,540	12,544	15,651	1,672	207,254
1975	237,116	8,814	4,875	17,936	18,635	1,928	289,304
1976	262,775	9,633	5,252	21,881	20,077	1,934	321,552
1977	287,932	10,427	5,839	23,907	21,669	1,948	351,722
1978	318,483	11,319	6,380	27,495	24,285	1,962	389,924
1979	351,637	12,112	7,158	31,372	28,023	1,980	432,282
1980	390,339	12,727	7,659	34,127	32,274	2,084	479,210
1981	428,031	13,261	8,355	38,734	35,211	2,211	525,803
1982	479,360	13,706	8,914	44,732	39,105	2,346	588,163
1983	532,441	13,939	10,078	52,106	43,978	2,406	654,948
1984	584,193	14,395	10,745	63,299	47,800	2,547	722,979
1985	665,302	14,638	11,710	77,471	54,039	2,741	825,901
1986	761,924	15,174	11,704	84,600	61,314	2,835	937,551
1987	862,133	15,837	12,043	87,076	64,496	2,874	1,044,459
1988	968,963	16,601	12,478	93,878	72,021	2,929	1,166,870
1989	1,083,678	17,278	13,373	101,744	80,613	3,070	1,299,756

Source: American Council of Life Insurance.

LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies, including those held in separate accounts, totaled $1,299.8 billion at the end of 1989, an increase of 11.4% during the year, compared to an increase of 11.7% in the previous year.

The growth in assets in 1989 was a result of the substantial inflows of $117.5 billion in new funds. By comparison, new funds in 1988 amounted to $115.7 billion. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $97.8 billion in 1989. Life insurance ranked second among private domestic institutional sources of funds, supplying 15.6% of the total funds flowing into financial markets.

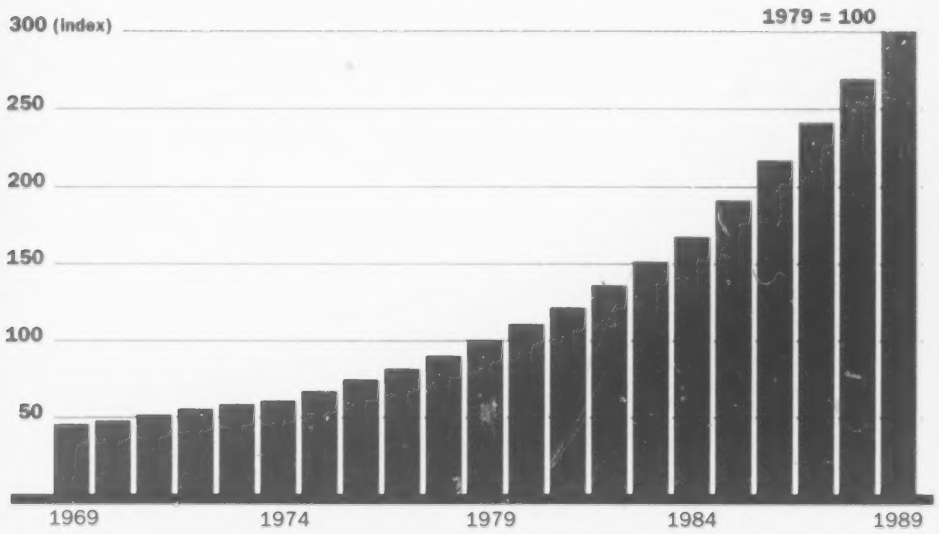
The largest component of life company assets in 1989 was corporate debt issues. Holdings of corporate debt increased from $480.3 billion to $538.1 billion, or 41.4% of total assets, by year-end 1989.

Mortgages, the second largest component of life insurance company assets, increased from $232.9 billion to $254.2 billion during 1989. As a proportion of total assets these holdings were 19.5% in 1989, compared to 20.0% in 1988.

The third largest category, government securities, increased by $18.4 billion to represent 13.7% of total assets in 1989.

Corporate stock holdings amounted to $125.6 billion, or 9.7% of total assets, and included $115.7 billion of common stocks and $9.9 billion of preferred stocks.

Relative Growth in Assets of U.S. Life Insurance Companies



Distribution of Assets of U.S. Life Insurance Companies

Year	Government Securites	Corporate Securities		Mortgages	Real Estate	Policy Loans	Misc. Assets	Total
		Bonds	Stocks					
AMOUNT (000,000 omitted)								
1917	$ 562	$ 1,975	$ 83	$ 2,021	$ 179	$ 810	$ 311	$ 5,941
1920	1,349	1,949	75	2,442	172	859	474	7,320
1925	1,311	3,022	81	4,808	266	1,446	604	11,538
1930	1,502	4,929	519	7,598	548	2,807	977	18,880
1935	4,727	5,314	583	5,357	1,990	3,540	1,705	23,216
1940	8,447	8,645	605	5,972	2,065	3,091	1,977	30,802
1945	22,545	10,060	999	6,636	857	1,962	1,738	44,797
1950	16,118	23,248	2,103	16,102	1,445	2,413	2,591	64,020
1955	11,829	35,912	3,633	29,445	2,581	3,290	3,742	90,432
1960	11,815	46,740	4,981	41,771	3,765	5,231	5,273	119,576
1965	11,908	58,244	9,126	60,013	4,681	7,678	7,234	158,884
1970	11,068	73,098	15,420	74,375	6,320	16,064	10,909	207,254
1975	15,177	105,837	28,061	89,167	9,621	24,467	16,974	289,304
1976	20,260	120,666	34,262	91,552	10,476	25,834	18,502	321,552
1977	23,555	137,889	33,763	96,848	11,060	27,556	21,051	351,722
1978	26,552	156,044	35,518	106,167	11,764	30,146	23,733	389,924
1979	29,719	168,990	39,757	118,421	13,007	34,825	27,563	432,282
1980	33,015	179,603	47,366	131,080	15,033	41,411	31,702	479,210
1981	39,502	193,806	47,670	137,747	18,278	48,706	40,094	525,803
1982	55,516	212,772	55,730	141,989	20,624	52,961	48,571	588,163
1983	76,615	232,123	64,868	150,999	22,234	54,063	54,046	654,948
1984	99,769	259,128	63,335	156,699	25,767	54,505	63,776	722,979
1985	124,598	296,848	77,496	171,797	28,822	54,369	71,971	825,901
1986	144,616	341,967	90,864	193,842	31,615	54,055	80,592	937,551
1987	151,436	405,674	96,515	213,450	34,172	53,626	89,586	1,044,459
1988	159,781	480,313	104,373	232,863	37,371	54,236*	97,933	1,166,870
1989	178,141	538,063	125,614	254,215	39,908	57,439	106,376	1,299,756
PERCENT								
1917	9.6%	33.2%	1.4%	34.0%	3.0%	13.6%	5.2%	100.0%
1920	18.4	26.7	1.0	33.4	2.3	11.7	6.5	100.0
1925	11.3	26.2	.7	41.7	2.3	12.5	5.3	100.0
1930	8.0	26.0	2.8	40.2	2.9	14.9	5.2	100.0
1935	20.4	22.9	2.5	23.1	8.6	15.2	7.3	100.0
1940	27.5	28.1	2.0	19.4	6.7	10.0	6.3	100.0
1945	50.3	22.5	2.2	14.8	1.9	4.4	3.9	100.0
1950	25.2	36.3	3.3	25.1	2.2	3.8	4.1	100.0
1955	13.1	39.7	4.0	32.6	2.9	3.6	4.1	100.0
1960	9.9	39.1	4.2	34.9	3.1	4.4	4.4	100.0
1965	7.5	36.7	5.7	37.8	3.0	4.8	4.5	100.0
1970	5.3	35.3	7.4	35.9	3.0	7.8	5.3	100.0
1975	5.2	36.6	9.7	30.8	3.3	8.5	5.9	100.0
1976	6.3	37.5	10.7	28.5	3.3	8.0	5.7	100.0
1977	6.7	39.2	9.6	27.5	3.2	7.8	6.0	100.0
1978	6.8	40.0	9.1	27.2	3.0	7.8	6.1	100.0
1979	6.9	39.1	9.2	27.4	3.0	8.1	6.3	100.0
1980	6.9	37.5	9.9	27.4	3.1	8.6	6.6	100.0
1981	7.5	36.8	9.1	26.2	3.5	9.3	7.6	100.0
1982	9.4	36.2	9.5	24.1	3.5	9.0	8.3	100.0
1983	11.7	35.4	9.9	23.1	3.4	8.3	8.2	100.0
1984	13.8	35.8	8.8	21.7	3.6	7.5	8.8	100.0
1985	15.0	36.0	9.4	20.8	3.5	6.6	8.7	100.0
1986	15.4	36.5	9.7	20.6	3.4	5.8	8.6	100.0
1987	14.5	38.8	9.3	20.4	3.3	5.1	8.6	100.0
1988	13.7	41.2	8.9	20.0	3.2	4.6	8.4	100.0
1989	13.7	41.4	9.7	19.5	3.1	4.4	8.2	100.0

*Excludes some $600 million of policy loans securitized during 1988.

Note: Beginning with 1962, these data include the assets of separate accounts. For details on separate accounts, see page 102.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets of U.S. Life Insurance Companies

(000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 771	1928	$15,961	1949	$56,630	1970	$ 207,254
1895	1,160	1929	17,482	1950	64,020	1971	222,102
1905	2,706	1930	18,880	1951	68,278	1972	239,730
1910	3,876	1931	20,160	1952	73,375	1973	252,436
1911	4,164	1932	20,754	1953	78,533	1974	263,349
1912	4,409	1933	20,896	1954	84,486	1975	289,304
1913	4,659	1934	21,844	1955	90,432	1976	321,552
1914	4,935	1935	23,216	1956	96,011	1977	351,722
1915	5,190	1936	24,874	1957	101,309	1978	389,924
1916	5,537	1937	26,249	1958	107,580	1979	432,282
1917	5,941	1938	27,755	1959	113,650	1980	479,210
1918	6,475	1939	29,243	1960	119,576	1981	525,803
1919	6,791	1940	30,802	1961	126,816	1982	588,163
1920	7,320	1941	32,731	1962	133,291	1983	654,948
1921	7,936	1942	34,931	1963	141,121	1984	722,979
1922	8,652	1943	37,766	1964	149,470	1985	825,901
1923	9,455	1944	41,054	1965	158,884	1986	937,551
1924	10,394	1945	44,797	1966	167,455	1987	1,044,459
1925	11,538	1946	48,191	1967	177,832	1988	1,166,870
1926	12,940	1947	51,743	1968	188,636	1989	1,299,756
1927	14,392	1948	55,512	1969	197,208		

Note: Beginning with 1962, these data include the assets of separate accounts. For details on separate accounts, see page 102.

Source: *Spectator Year Book* and American Council of Life Insurance.

Sources of Funds in the United States Money and Capital Markets

(Billions of dollars)

	1970	1975	1980	1985	1989
Life Insurance Companies	$ 9.0	$ 18.8	$ 32.8	$ 82.0	$ 97.8
Private Non-Life Insurance Company Pension Plans	6.8	23.6	38.4	26.9	11.1
State and Local Retirement Funds	6.3	11.7	26.2	51.4	61.3
Savings and Loan Associations	11.9	34.8	46.2	59.8	84.0
Mutual Savings Banks	4.1	10.9	5.4	9.7	2.9
Commercial Banking	37.0	30.1	107.6	186.4	171.6
Federal Reserve Board	5.0	8.2	3.5	18.4	7.3
Fire and Casualty Companies	4.8	6.6	13.0	21.2	31.9
Mutual Funds	1.6	0.5	1.4	79.0	25.0
Money Market Funds		0.7	16.4	13.9	67.5
Foreigners	11.7	13.0	30.6	67.3	91.3
Individuals & Others	7.1	57.0	61.9	217.7	181.9
Total Funds Supplied	$105.2	$215.0	$393.5	$833.9	$628.8
Addenda Table					
Federally Sponsored Credit Agencies	$ 8.8	$ 4.5	$ 26.4	$ 15.7	$ 12.0
Federally Sponsored Mortgage Pools	1.6	7.1	19.2	79.9	115.4
Finance Companies	2.1	0.4	13.2	49.5	35.4
Real Estate Investment Trusts	1.9	4.8	0.7	2.4	1.0
Mortgage Trusts (CMOs)				11.5	21.3
Total Net Lending and Equity Purchases	$119.6	$222.1	$451.5	$992.8	$814.0

Note: Data in the Addenda Table are duplicate flows of funds already counted in the Sources of Funds table. Details may not add to totals due to rounding.

Source: Federal Reserve Board.

New Investments

Acquisitions of long-term investments by U.S. life insurance companies reached a record high of $472.0 billion in 1989, an increase of $37.3 billion, or 8.6%, over 1988. Acquisitions of short-term investments—government and corporate securities with maturities of one year or less—are not available as of 1982 because these voluminous transactions are no longer required to be reported in the annual statements of life insurance companies. (Holdings of such short-term securities increased $4.1 billion during 1989 to total $49.2 billion at the end of the year.)

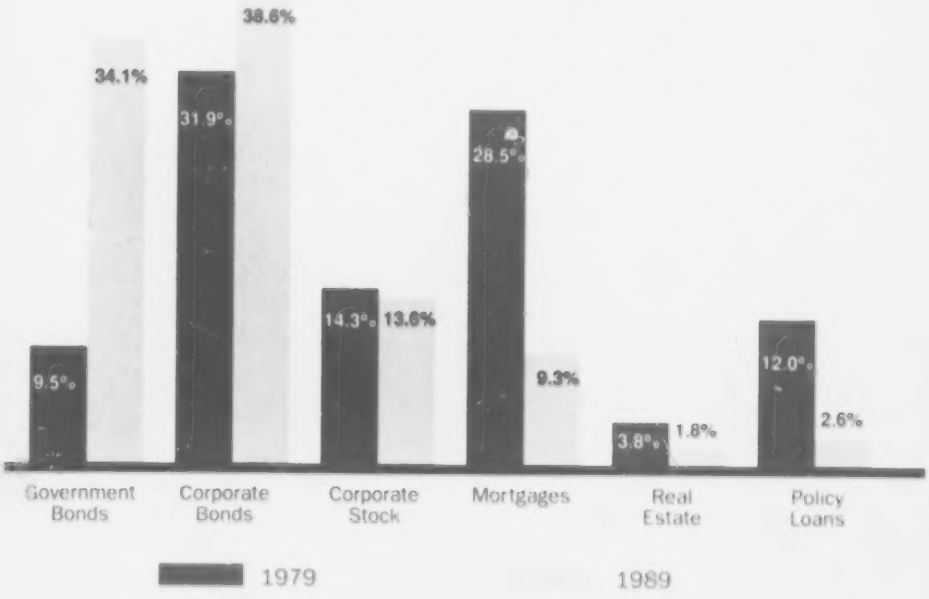
Of the $472.0 billion of long-term acquisitions, about $117 billion was traceable to new funds. Some $345 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments, and from asset sales. The balance of acquisitions represented exchanges and refinancings.

Acquisitions of long-term government securities reached $161.0 billion in 1989, $26.1 billion, or 19.4%, more than in 1988. Acquisitions of U.S. Treasury bonds and notes of $86.0 billion increased 7.5% from 1988, while federal agency issues of $63.3 billion were up 47.1% from 1988. Foreign government and international agency bond acquisitions of $7.8 billion decreased by 2.9%, and state and local bonds acquired were $3.9 billion, $146 million more than in 1988.

Long-term corporate bond acquisitions amounted to $182.2 billion in 1989, $1.6 billion, or 0.9%, more than the $180.5 billion in the previous year. Corporate bond acquisitions represented 38.6% of total long-term acquisitions in 1989. Acquisitions of long-term domestic corporate bonds amounted to $175.1 billion and foreign corporate bonds came to over $7.1 billion in 1989.

Distribution of Acquisitons of Long-Term Investments by Type

U.S. Life Insurance Companies



Corporate stock acquisitions increased by $9.5 billion during 1989 to $64.0 billion. Common stock acquisitions amounted to $60.0 billion, and preferred stock acquisitions were $4.0 billion. Disposals of common stock amounted to $50.9 billion in 1989, $1.7 billion more than in 1988. Disposals of preferred stock were $3.9 billion, $397 million more than in 1988.

Acquisitions of Investments

U.S. Life Insurance Companies (000,000 omitted)

Year	Government Securities	Corporate Securities		Mortgages	Real Estate	Policy Loans	Total
		Bonds	Stocks				
1947	$1,710	$ 4,248	$ 307	$ 2,786	$219	$ 327	$ 9,597
1948	2,262	4,800	181	3,407	278	414	11,342
1949	1,065	3,674	251	3,440	264	478	9,172
1950	2,399	3,700	470	4,894	257	521	12,241
1951	7,691	4,379	278	5,134	273	535	18,290
1952	4,610	5,151	194	3,978	335	504	14,772
1953	3,939	4,631	233	4,345	205	579	13,932
1954	5,549	5,157	552	5,344	388	661	17,651
1955	6,176	4,687	392	6,614	871	669	18,909
1956	4,794	5,305	291	6,715	360	744	18,209
1957	3,833	6,044	294	5,230	458	916	16,775
1958	5,625	5,799	365	5,277	463	1,088	18,537
1959	5,613	6,318	514	5,975	446	1,156	20,022
1960	5,011	6,886	655	6,083	299	1,420	20,354
1961	6,478	9,113	918	6,785	429	1,427	25,150
1962	6,824	11,654	766	7,478	363	1,473	28,558
1963	6,018	14,200	788	9,172	485	1,504	32,167
1964	4,979	15,419	1,066	10,433	488	1,574	33,959
1965	4,273	20,428	1,463	11,137	448	1,702	39,451
1966	3,837	18,452	1,326	10,217	510	2,613	36,955
1967	3,949	25,930	2,065	8,470	668	2,365	43,447
1968	5,570	27,601	3,318	7,925	815	2,741	47,970

Year	Government Securities		Corporate Securities						
			Bonds						
	Long-Term	Total	Long-Term	Total	Stocks	Mortgages	Real Estate	Policy Loans	Total
1969	$ 1,393	$ 4,655	$ 6,787	$ 31,883	$ 4,099	$ 7,531	$ 794	$ 4,118	$ 53,080
1970	796	4,612	6,808	41,405	4,086	7,181	859	4,149	62,292
1971	1,635	7,011	11,727	53,517	6,785	7,573	1,035	3,400	79,321
1972	1,604	8,989	14,257	68,240	8,468	8,696	976	3,252	98,621
1973	1,385	8,290	12,741	87,059	8,198	11,463	1,177	4,602	120,789
1974	1,456	7,609	11,266	86,656	4,832	11,339	1,294	5,332	117,062
1975	3,695	13,644	16,567	96,534	5,955	9,595	2,115	4,600	132,443
1976	7,249	30,315	24,002	120,442	7,691	9,801	1,814	4,826	174,889
1977	7,498	34,908	30,183	147,114	7,588	14,176	2,059	5,115	210,960
1978	6,442	35,805	28,006	164,866	8,015	17,799	2,234	6,260	234,979
1979	6,866	41,566	23,170	186,195	10,374	20,689	2,793	8,739	270,356
1980	6,961	51,798	22,255	227,336	14,105	19,759	3,312	11,535	327,845
1981	10,620	72,879	22,966	312,707	19,498	13,478	4,467	12,641	435,670
1982	24,305	N.A.	32,939	N.A.	25,818	11,528	4,480	11,449	N.A.
1983	49,149	N.A.	50,766	N.A.	36,071	20,116	4,347	9,468	N.A.
1984	62,919	N.A.	68,709	N.A.	35,328	20,074	5,950	9,543	N.A.
1985	99,930	N.A.	98,344	N.A.	46,258	35,097	5,966	9,742	N.A.
1986	154,300	N.A.	137,456	N.A.	67,906	45,425	7,065	9,700	N.A.
1987	155,674	N.A.	165,062	N.A.	74,452	44,223	7,068	10,181	N.A.
1988	134,810	N.A.	180,548	N.A.	54,498	45,671	8,430	10,739	N.A.
1989	160,954	N.A.	182,177	N.A.	64,035	43,669	8,689	12,428	N.A.

N.A. = Not available after 1981

Source: American Council of Life Insurance

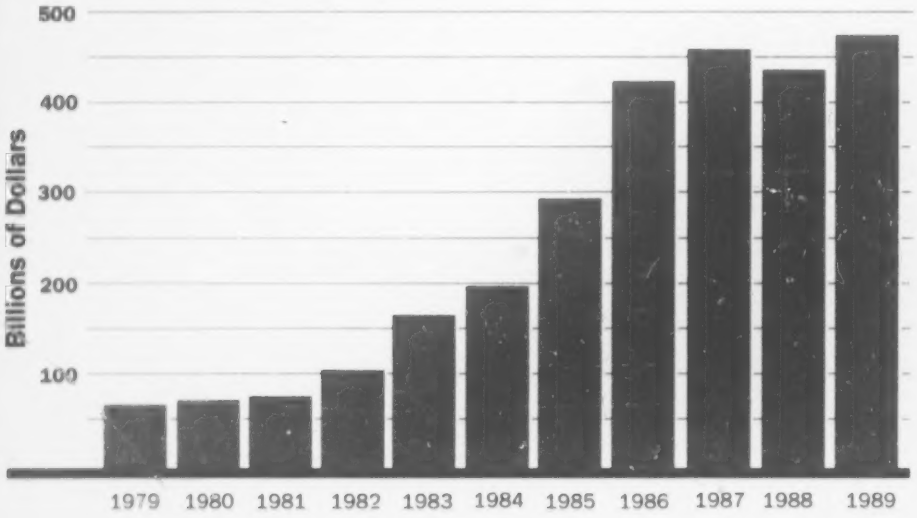
Mortgages accounted for $43.7 billion of life company investment acquisitions in 1989, a decrease of 4.4% from 1988. Mortgage loans decreased to 9.3% of total life company long-term acquisitions in 1989 from 10.5% in 1988. Included in the mortgage loan total were $41.2 billion of nonfarm conventional loans, $1.4 billion of farm mortgages, and $1.1 billion of government-backed mortgages. Nonfarm conventional mortgage acquisitions, which accounted for 94.3% of total mortgage acquisitions in 1989, decreased $2.2 billion from 1988. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total. Farm mortgage loan acquisitions were down $25 million from 1988 and government-backed mortgages increased by $270 million.

Real estate accounted for nearly $8.7 billion of life insurance company investment acquisitions, $259 million more than in 1988.

The demand for policy loans at $12.4 billion was up $1.7 billion, or 15.7%, over 1988.

Acquisitions of Long-Term Investments

U.S. Life Insurance Companies



Acquisitions and Change in Holdings of Investments

U.S. Life Insurance Companies (000,000 omitted)

Type of Investment	1988 Acquired in Year	1988 Held at Year-end	1988 Change in Holdings in Year	1989 Acquired in Year	1989 Held at Year-end	1989 Change in Holdings in Year
GOVERNMENT SECURITIES						
Short Term: 1 Year or Less						
U.S. Treasury	N.A.	$ 3,638	$ + 60	N.A.	$ 3,589	$ − 49
U.S. Federal Agency	N.A.	1,582	+ 743	N.A.	1,871	+ 289
U.S. State and Local	N.A.	63	− 32	N.A.	13	− 50
Foreign Government and International Agency	N.A.	613	− 216	N.A.	908	+ 295
	N.A.	5,896	+ 555	N.A.	6,381	+ 485
Other: Over 1 Year						
U.S. Treasury	$ 79,994	54,926	+ 1,426	$ 85,969	48,928	− 5,998
U.S. Federal Agency	43,027	74,148	+ 7,977	63,282	98,973	+ 24,825
U.S. State and Local	3,714	9,073	− 1,513	3,860	9,015	− 58
Foreign Government and International Agency	8,075	15,738	− 100	7,843	14,844	− 894
	134,810	153,885	+ 7,790	160,954	171,760	+ 17,875
Total Government Securities	N.A.	159,781	+ 8,345	N.A.	178,141	+ 18,360
CORPORATE SECURITIES						
Bonds, Debentures and Notes						
Short Term: 1 Year or Less						
U.S.	N.A.	34,017	+ 5,055	N.A.	35,704	+ 1,687
Foreign	N.A.	5,153	+ 76	N.A.	7,066	+ 1,913
Other: Over 1 Year						
U.S.	170,745	422,348	+ 64,727	175,040	473,178	+ 50,830
Foreign	9,803	18,795	+ 4,781	7,137	22,115	+ 3,320
	N.A.	480,313	+ 74,639	N.A.	538,063	+ 57,750
Stocks						
Common	50,394	94,539	+ 7,324	60,031	115,671	+ 21,132
Preferred	4,104	9,834	+ 534	4,004	9,943	+ 109
	54,498	104,373	+ 7,858	64,035	125,614	+ 21,241
Total Corporate Securities	N.A.	584,686	+ 82,497	N.A.	663,677	+ 78,991
MORTGAGES						
Farm	1,424	9,590	315	1,399	9,604	+ 14
Nonfarm						
F.H.A.	577	2,075	106	797	2,046	29
N.H.A.	44	362	42	39	402	+ 40
V.A.	205	836	103	250	721	115
Conventional	43,421	220,000	+ 19,979	41,174	241,442	+ 21,442
Total Mortgages	45,671	232,863	+ 19,413	43,669	254,215	+ 21,352
REAL ESTATE	8,430	37,371	+ 3,199	8,689	39,908	+ 2,537
POLICY LOANS	10,739	54,236*	+ 610	12,428	57,439	+ 3,203
CASH	XXX	4,575	316	XXX	5,027	+ 452
OTHER ASSETS	XXX	93,358	+ 8,663	XXX	101,349	+ 7,991
TOTAL	N.A.	$1,166,870	$ + 122,411	N.A.	$1,299,756	$ + 132,886

*Excludes some $600 million of policy loans securitized during 1988

N.A.— Not available after 1981

Source: American Council of Life Insurance

Government Securities

Government securities amounted to 13.7% of total assets of U.S. life insurance companies at year-end 1989.

Holdings of these investments amounted to $178.1 billion at the end of 1989, an increase of $18.4 billion, or 11.5%, during the year. This growth follows a 5.5% increase in 1988. Investments in issues of the U.S. Treasury declined by $6.0 billion from 1988 while federal agencies holdings continued to rise.

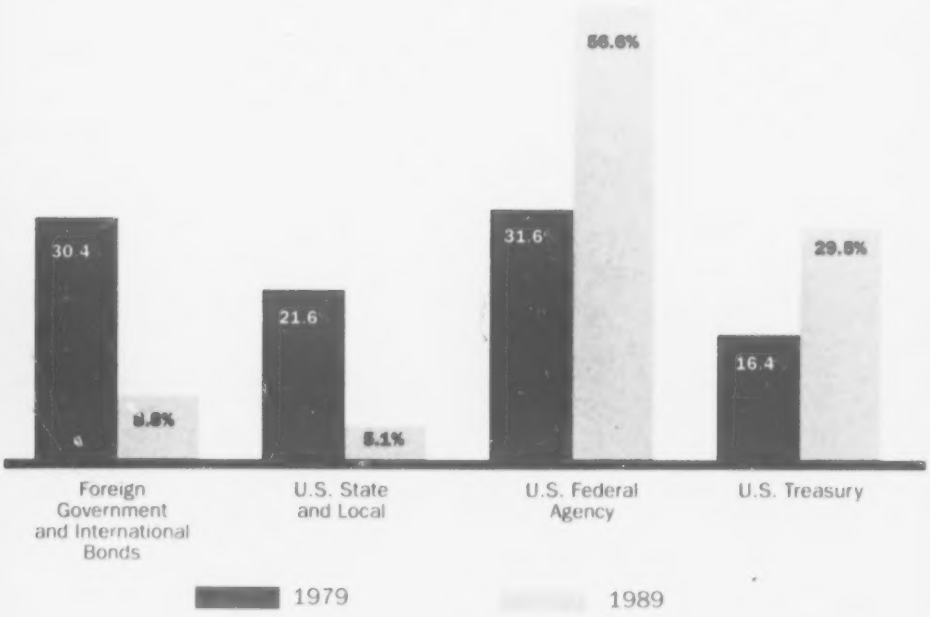
The large increases in recent years had been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

Securities of the United States government include U.S. Treasury securities and those of U.S. federal agencies or those sponsored by the federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $153.4 billion at year-end 1989, an increase of $19.1 billion, or 14.2%, from year-end 1988. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for long-term investments, amounted to $3.6 billion. Short-term federal agency securities totaled $1.9 billion.

U.S. state and local securities amounted to $9.0 billion at the end of 1989, down $108 million from last year. These holdings include guaranteed, special

Distribution of Government Securities

U.S. Life Insurance Companies



revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

In addition to the securities of governments in the United States, U.S. life companies had $15.8 billion invested in securities of the central and local governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank).

Government Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	United States				Foreign Government and International Agency	Total Amount	% of Assets
	Treasury	Federal Agency	State and Local	Total			
1917	$ 70	—	*	*	*	$ 562	9.6
1920	830	—	*	*	*	1,349	18.4
1925	627	—	*	*	*	1,311	11.3
1930	319	—	*	*	*	1,502	8.0
1935	2,853	—	$ 1,344	$ 4,197	$ 530	4,727	20.4
1940	5,767	—	2,082	7,849	598	8,447	27.5
1945	20,583	—	722	21,305	1,240	22,545	50.3
1950	13,459	—	1,152	14,611	1,507	16,118	25.2
1951	11,009	—	1,170	12,179	1,581	13,760	20.1
1952	10,252	—	1,153	11,405	1,500	12,905	17.6
1953	9,829	—	1,298	11,127	1,410	12,537	15.9
1954	9,070	—	1,846	10,916	1,346	12,262	14.5
1955	8,576	—	2,038	10,614	1,215	11,829	13.1
1956	7,555	—	2,273	9,828	1,239	11,067	11.5
1957	7,029	—	2,376	9,405	1,286	10,691	10.6
1958	7,183	†	2,681	9,864	1,371	11,235	10.5
1959	6,868	$ 72	3,200	10,140	1,520	11,660	10.3
1960	6,427	101	3,588	10,116	1,699	11,815	9.9
1961	6,134	110	3,888	10,132	1,913	12,045	9.5
1962	6,170	105	4,026	10,301	2,297	12,598	9.4
1963	5,813	139	3,852	9,804	2,826	12,630	8.9
1964	5,594	129	3,774	9,497	3,012	12,509	8.4
1965	5,119	167	3,530	8,816	3,092	11,908	7.5
1966	4,921	236	3,260	8,417	2,979	11,396	6.8
1967	4,683	230	3,145	8,058	3,021	11,079	6.2
1968	4,456	294	3,194	7,944	3,152	11,096	5.9
1969	4,124	390	3,221	7,735	3,179	10,914	5.5
1970	4,042	532	3,306	7,880	3,188	11,068	5.3
1971	3,828	627	3,363	7,818	3,182	11,000	4.9
1972	3,827	735	3,367	7,929	3,443	11,372	4.8
1973	3,444	884	3,412	7,740	3,663	11,403	4.5
1974	3,372	1,065	3,667	8,104	3,861	11,965	4.5
1975	4,736	1,419	4,508	10,663	4,514	15,177	5.2
1976	5,368	2,318	5,594	13,280	6,980	20,260	6.3
1977	5,315	4,002	6,051	15,368	8,187	23,555	6.7
1978	4,822	6,543	6,402	17,767	8,785	26,552	6.8
1979	4,888	9,381	6,428	20,697	9,022	29,719	6.9
1980	5,838	11,144	6,701	23,683	9,332	33,015	6.9
1981	8,167	14,293	7,151	29,611	9,891	39,502	7.5
1982	16,529	18,634	9,047	44,210	11,306	55,516	9.4
1983	28,636	25,863	9,986	64,485	12,130	76,615	11.7
1984	41,204	36,870	8,713	86,787	12,982	99,769	13.8
1985	51,700	49,368	9,708	110,776	13,822	124,598	15.0
1986	59,033	59,976	11,659	130,668	13,948	144,616	15.4
1987	57,078	67,010	10,681	134,769	16,667	151,436	14.5
1988	58,564	75,730	9,136	143,430	16,351	159,781	13.7
1989	52,517	100,844	9,028	162,389	15,752	178,141	13.7

*Breakdown not available

†Holdings of U.S. federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

Sources: *Spectator Year Book* and American Council of Life Insurance

Corporate Securities

Corporate securities owned by U.S. legal reserve life insurance companies were 51.1% of the companies' assets at year-end 1989, and amounted to $663.7 billion. This was an increase of $79.0 billion, or 13.5%, over the previous year and follows an increase of $82.5 billion, or 16.4%, in 1988. These securities consist of corporate bonds and stocks.

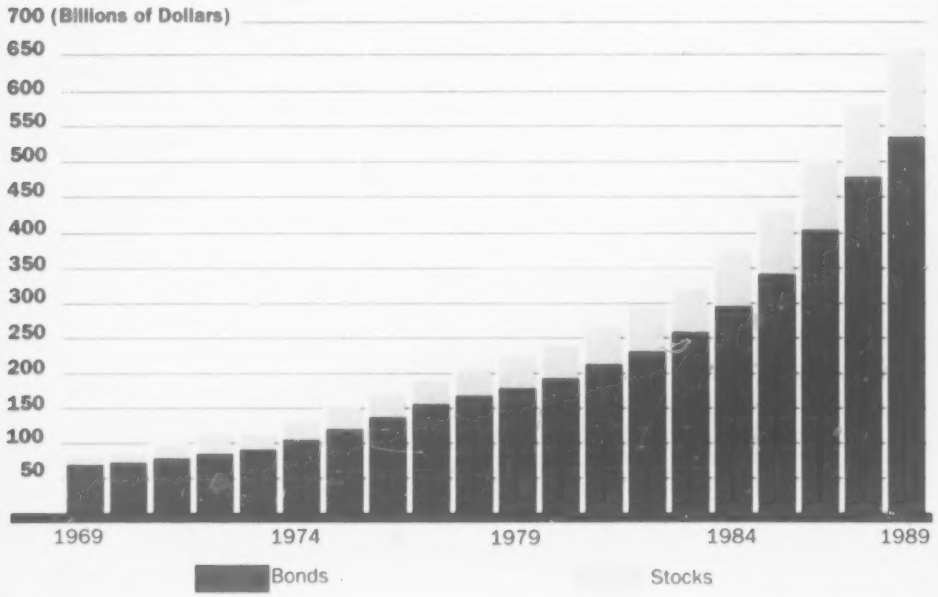
Corporate bond holdings amounted to $538.1 billion and were 41.4% of all assets at year-end 1989. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in recent years.

The major share of corporate bond holdings—$508.9 billion—was invested in corporations in the United States. The remainder—$29.2 billion—was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Private or direct placements, where the financial institution negotiates directly with the corporation over the terms of the offering, account

Growth in Holdings of Corporate Securities

U.S Life Insurance Companies



for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of

Corporate Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

	Bonds				Stocks					
Year	United States	Foreign	Total	% of Assets	Common	Preferred	Total	% of Assets	Total Amount	% of Assets
1917	*	*	$ 1,975	33.2	*	*	$ 83	1.4	$ 2,058	34.6
1920	*	*	1,949	26.7	*	*	75	1.0	2,024	27.7
1925	*	*	3,022	26.2	*	*	81	.7	3,103	26.9
1930	*	*	4,929	26.0	*	*	519	2.8	5,448	28.8
1935	*	*	5,314	22.9	*	*	583	2.5	5,897	25.4
1940	*	*	8,645	28.1	*	*	605	2.0	9,250	30.1
1945	*	*	10,060	22.5	*	*	999	2.2	11,059	24.7
1950	$ 22,607	$ 641	23,248	36.3	$ 649	$ 1,454	2,103	3.3	25,351	39.6
1951	25,147	743	25,890	37.9	820	1,401	2,221	3.3	28,111	41.2
1952	28,164	905	29,069	39.6	963	1,483	2,446	3.3	31,515	42.9
1953	30,750	1,115	31,865	40.6	1,042	1,531	2,573	3.3	34,438	43.9
1954	32,774	1,258	34,032	40.3	1,536	1,732	3,268	3.9	37,300	44.2
1955	34,629	1,283	35,912	39.7	1,889	1,744	3,633	4.0	39,545	43.7
1956	36,606	1,434	38,040	39.6	1,952	1,551	3,503	3.7	41,543	43.4
1957	39,065	1,600	40,665	40.1	1,867	1,524	3,391	3.3	44,056	43.8
1958	41,234	1,764	42,998	40.0	2,548	1,561	4,109	3.8	47,107	43.8
1959	43,142	1,884	45,026	39.6	2,954	1,607	4,561	4.0	49,587	43.6
1960	44,709	2,031	46,740	39.1	3,183	1,798	4,981	4.2	51,721	43.3
1961	46,595	2,292	48,887	38.5	4,223	2,035	6,258	4.9	55,145	43.4
1962	48,522	2,602	51,124	38.4	4,119	2,183	6,302	4.7	57,426	43.1
1963	50,620	2,833	53,453	37.9	4,820	2,315	7,135	5.0	60,588	42.9
1964	52,408	3,046	55,454	37.1	5,422	2,516	7,938	5.3	63,392	42.4
1965	54,835	3,409	58,244	36.7	6,263	2,863	9,126	5.7	67,370	42.4
1966	57,105	3,714	60,819	36.3	6,003	2,829	8,832	5.3	69,651	41.6
1967	60,835	3,852	64,687	36.4	7,810	3,067	10,877	6.1	75,564	42.5
1968	64,396	3,914	68,310	36.2	9,995	3,235	13,230	7.0	81,540	43.2
1969	66,813	4,046	70,859	36.0	10,318	3,389	13,707	6.9	84,566	42.9
1970	68,711	4,387	73,098	35.3	11,873	3,547	15,420	7.4	88,518	42.7
1971	74,699	4,499	79,198	35.7	16,779	3,828	20,607	9.3	99,805	45.0
1972	81,244	4,896	86,140	35.9	21,793	5,052	26,845	11.2	112,985	47.1
1973	86,848	4,948	91,796	36.4	19,606	6,313	25,919	10.3	117,715	46.7
1974	91,412	5,240	96,652	36.7	14,946	6,974	21,920	8.3	118,572	45.0
1975	99,993	5,844	105,837	36.6	20,304	7,757	28,061	9.7	133,898	46.3
1976	113,474	7,192	120,666	37.5	25,694	8,568	34,262	10.7	154,928	48.2
1977	130,181	7,708	137,889	39.2	24,086	9,677	33,763	9.6	171,652	48.8
1978	147,118	8,926	156,044	40.0	24,986	10,532	35,518	9.1	191,562	49.1
1979	159,738	9,252	168,990	39.1	28,161	11,596	39,757	9.2	208,747	48.3
1980	169,699	9,904	179,603	37.5	35,571	11,795	47,366	9.9	226,969	47.4
1981	182,613	11,193	193,806	36.8	35,408	12,262	47,670	9.1	241,476	45.9
1982	200,286	12,486	212,772	36.2	42,355	13,375	55,730	9.5	268,502	45.7
1983	218,822	13,301	232,123	35.4	51,840	13,028	64,868	9.9	296,991	45.3
1984	245,327	13,801	259,128	35.8	52,314	11,021	63,335	8.8	322,463	44.6
1985	282,157	14,691	296,848	36.0	67,055	10,441	77,496	9.4	374,344	45.4
1986	326,047	15,920	341,967	36.5	81,386	9,478	90,864	9.7	432,831	46.2
1987	386,583	19,091	405,674	38.8	87,215	9,300	96,515	9.3	502,189	48.1
1988	456,365	23,948	480,313	41.2	94,539	9,834	104,373	8.9	584,686	50.1
1989	508,882	29,181	538,063	41.4	115,671	9,943	125,614	9.7	663,677	51.1

*Breakdown not available

Sources: *Spectator Year Book* and American Council of Life Insurance

life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

During 1989 the news media and financial markets focused on the "collapse of the junk bond market," with particular attention to the high-yield bond holdings of life insurance companies. Although life insurance companies have been one of the largest purchasers of such bonds, at year-end 1989 these holdings amounted to just 4.6% of general account assets, and bonds in default represented only 0.2% of total assets.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $125.6 billion, or 9.7% of total assets at the end of 1989.

Holdings of common stocks increased by $21.1 billion to $115.7 billion in 1989. Preferred stocks decreased by $109 million, or 1.1%, to total $9.9 billion at year-end 1989.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1989, 56.7% of all common stocks held by life insurance companies were in separate accounts.

Mortgages

Life insurance company mortgage holdings at year-end 1989 amounted to $254.2 billion, or 19.5% of total assets. The asset share for mortgage loans was down from 20.0% at year-end 1988. The asset share has decreased in most years since 1966, when mortgages were 38.6% of total assets.

During 1989, farm mortgages held by life companies increased by $14 million to total $9.6 billion at the end of the year. This amount was 3.8% of total mortgages held by the companies at year-end 1989.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans' Administration declined in nearly every year since 1957 and amounted to $721 million

Mortgages

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Non-farm	Total Amount	% of Assets	Year	Farm	Non-farm	Total Amount	% of Assets
1890	*	*	$ 310	40.2	1920	$1,270	$1,172	$2,442	33.4
1895	*	*	412	35.6	1925	2,040	2,768	4,808	41.7
1900	*	*	501	28.8	1930	2,057	5,541	7,598	40.2
1905	*	*	724	26.7	1935	1,073	4,284	5,357	23.1
1910	*	*	1,227	31.7	1940	899	5,073	5,972	19.4
1915	*	*	1,779	34.3	1945	776	5,860	6,636	14.8

Year	Farm	Nonfarm F.H.A.†	Nonfarm V.A.	Nonfarm Conventional	Total Amount	% of Assets
1947	$ 895	$ 1,398	$ 844	$ 5,538	$ 8,675	16.8
1950	1,327	4,573	2,026	8,176	16,102	25.1
1955	2,273	6,530	6,074	14,568	29,445	32.6
1960	2,982	9,290	6,901	22,598	41,771	34.9
1965	4,823	12,538	6,286	36,366	60,013	37.8
1966	5,240	12,852	6,201	40,316	64,609	38.6
1967	5,569	12,672	6,122	43,153	67,516	38.0
1968	5,801	12,469	5,954	45,749	69,973	37.1
1969	5,773	12,271	5,701	48,282	72,027	36.6
1970	5,649	12,001	5,394	51,331	74,375	35.9
1971	5,601	11,336	5,004	53,555	75,496	34.0
1972	5,678	10,512	4,660	56,098	76,948	32.1
1973	5,996	9,740	4,402	61,231	81,369	32.2
1974	6,327	9,115	4,178	66,614	86,234	32.8
1975	6,753	8,502	3,903	70,009	89,167	30.8
1976	7,425	7,838	3,603	72,686	91,552	28.5
1977	8,842	7,182	3,348	77,476	96,848	27.5
1978	10,499	6,705	3,164	85,799	106,167	27.2
1979	12,184	6,372	2,975	96,890	118,421	27.4
1980	12,958	6,066	2,781	109,275	131,080	27.4
1981	13,100	5,651	2,590	116,406	137,747	26.2
1982	12,831	5,309	2,462	121,387	141,989	24.1
1983	12,742	4,921	2,241	131,095	150,999	23.1
1984	12,466	4,494	1,990	137,749	156,699	21.7
1985	11,852	3,557	1,420	154,968	171,797	20.8
1986	10,952	2,959	1,152	178,779	193,842	20.6
1987	9,905	2,585	939	200,021	213,450	20.4
1988	9,590	2,437	836	220,000	232,863	20.0
1989	9,604	2,448	721	241,442	254,215	19.5

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1989 these amounted to $402 million

Source: American Council of Life Insurance.

Mortgages Owned by U.S. Life Insurance Companies By Type and State 1989 (000 omitted)

State	Farm	Nonfarm	Total
Alabama	$ 54,300	$ 1,715,500	$ 1,769,800
Alaska	8,000	242,800	250,800
Arizona	167,900	4,403,700	4,571,600
Arkansas	270,800	468,500	739,300
California	2,178,000	44,884,200	47,062,200
Colorado	220,400	4,051,100	4,271,500
Connecticut	900	4,063,800	4,064,700
Delaware	1,200	588,300	589,500
District of Columbia	—	3,514,200	3,514,200
Florida	787,000	14,852,900	15,639,900
Georgia	149,600	7,800,000	7,949,600
Hawaii	31,500	888,900	920,400
Idaho	167,100	276,600	443,700
Illinois	453,100	13,365,100	13,818,200
Indiana	292,700	3,277,200	3,569,900
Iowa	556,700	1,016,600	1,573,300
Kansas	233,800	1,484,600	1,718,400
Kentucky	147,000	1,751,400	1,898,400
Louisiana	154,700	2,795,300	2,950,000
Maine	—	346,200	346,200
Maryland	12,500	6,714,600	6,727,100
Massachusetts	23,700	8,981,100	9,004,800
Michigan	40,100	6,153,600	6,193,700
Minnesota	217,500	4,597,800	4,815,300
Mississippi	224,200	653,200	877,400
Missouri	229,600	3,851,100	4,080,700
Montana	211,500	171,300	382,800
Nebraska	398,100	838,300	1,236,400
Nevada	45,000	1,353,900	1,398,900
New Hampshire	600	890,000	890,600
New Jersey	700	10,320,200	10,320,900
New Mexico	70,300	805,600	875,900
New York	11,100	18,434,300	18,445,400
North Carolina	89,300	4,912,400	5,001,700
North Dakota	36,100	219,700	255,800
Ohio	142,000	6,168,500	6,310,500
Oklahoma	112,400	1,318,200	1,430,600
Oregon	488,800	1,657,700	2,146,500
Pennsylvania	14,400	6,915,200	6,929,600
Rhode Island	—	425,900	425,900
South Carolina	14,200	1,846,400	1,860,600
South Dakota	53,100	186,200	239,300
Tennessee	45,300	3,529,700	3,575,000
Texas	562,700	19,392,400	19,955,100
Utah	12,100	998,100	1,010,200
Vermont	—	112,700	112,700
Virginia	75,900	10,262,500	10,338,400
Washington	331,800	4,652,600	4,984,400
West Virginia	107,700	241,000	348,700
Wisconsin	69,700	1,786,600	1,856,300
Wyoming	82,800	142,000	224,800
Puerto Rico	—	234,100	234,100
U.S. Territories and Possessions	—	10,200	10,200
Total U.S.	9,597,900	240,564,000	250,161,900
Canada	4,800	3,869,200	3,874,000
Other Foreign	1,600	1,177,700	179,300
GRAND TOTAL	$9,604,300	$244,610,900	$254,215,200

Source: American Council of Life Insurance

at the end of 1989. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the Canadian National Housing Act) amounted to $2.4 billion at year-end 1989.

A survey of the geographic distribution of the $254.2 billion in mortgage holdings of U.S. life companies at the end of 1989 showed that all but 1.6% were on properties located in the United States. By state, mortgage holdings were greatest in California, where they totaled $47.1 billion.

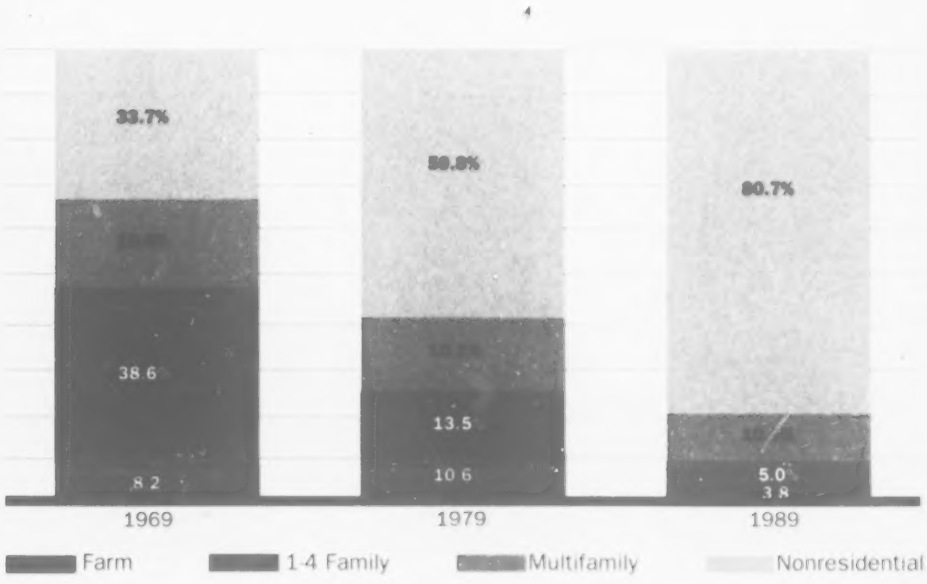
By far the largest portion of mortgages on properties outside the United States in 1989 was $3.9 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

Mortgages held on properties in the United States showed a net increase during 1989 of $20.8 billion, compared with $18.9 billion in 1988. An analysis of life insurance companies' gross flow of mortgage loans during 1989 showed that acquisitions of mortgages on properties in the U.S. totaled $42.8 billion while dispositions totaled $22.0 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings.

The properties underlying life insurance company holdings of nonfarm, nonresidential mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 33.7% of U.S. mortgages held by life companies in 1969, 59.8% in 1979 and 80.7% in 1989. During 1989, these mortgage holdings increased by $18.5 billion, or 10.1%, to total $201.9 billion at the end of the year.

Distribution of Mortgages by Type in the United States

U.S. Life Insurance Companies



At the end of 1989, one-to-four family housing accounted for 5.0% of total mortgages held by the companies on U.S. properties, compared with 13.5% at the end of 1979 and 38.6% at year-end 1969.

The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied a rise in the construction of these housing units. Multifamily housing mortgages accounted for 19.5% of mortgages held by life insurance companies on U.S. properties in 1969 and 16.1% in 1979. While holdings of multifamily housing mortgages decreased as a percentage of the total to 10.5% in 1989, the amount held increased by $2.3 billion over 1988.

Gross Flow of Mortgage Loans in the United States

U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Residential		Non-residential	Total
		1–4 Family	Multi-family		
HELD YEAR-END					
1979	$12,165	$15,586	$18,507	$ 68,876	$115,134
1980	12,928	17,381	18,910	78,496	127,715
1981	13,074	16,788	18,696	85,793	134,351
1982	12,805	16,300	18,303	91,311	138,719
1983	12,717	14,942	18,610	101,652	147,921
1984	12,443	13,748	18,544	109,185	153,920
1985	11,836	11,927	18,447	125,940	169,150
1986	10,940	12,327	20,757	146,953	190,977
1987	9,896	13,078	22,122	165,307	210,403
1988	9,582	12,305	23,979	183,454	229,320
1989	9,598	12,359	26,266	201,939	250,162
ACQUISITIONS DURING YEAR					
1979	$ 2,806	$ 3,534	$ 1,727	$ 12,309	$ 20,376
1980	1,654	3,174	1,531	13,175	19,534
1981	1,108	653	751	10,810	13,322
1982	695	821	482	9,497	11,495
1983	1,109	1,082	1,688	16,205	20,084
1984	1,003	1,167	1,496	16,312	19,978
1985	1,070	1,638	3,139	29,101	34,948
1986	1,219	5,079	4,620	34,058	44,976
1987	1,097	5,037	4,204	33,399	43,737
1988	1,424	5,865	4,107	33,521	44,917
1989	1,399	3,246	4,605	33,560	42,810
DISPOSITIONS DURING YEAR					
1979	$ 1,119	$ 1,810	$ 1,471	$ 3,722	$ 8,122
1980	891	1,379	1,128	3,555	6,953
1981	962	1,246	965	3,513	6,686
1982	964	1,309	875	3,979	7,127
1983	1,197	2,440	1,381	5,864	10,882
1984	1,277	2,361	1,562	8,779	13,979
1985	1,677	3,459	2,236	12,346	19,718
1986	2,115	4,679	3,310	13,045	23,149
1987	2,141	4,286	2,839	15,045	24,311
1988	1,738	6,638	2,250	15,374	26,000
1989	1,383	3,192	2,318	15,075	21,968

Source: American Council of Life Insurance.

Real Estate

U.S. life insurance companies increased their holdings of directly-owned real estate to $39.9 billion at the end of 1989, an increase of $2.5 billion, or 6.8%, during the year. This follows an increase of 9.4% in 1988.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last five years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3.1% of the companies' assets at the end of 1989.

Investments in commercial and residential properties accounted for $28.8 billion, or 72.1%, of the 1989 total real estate holdings; the life companies' own home and branch offices accounted for $4.8 billion, or 12.1%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of real estate owned by U.S. life insurance companies at the end of 1989 shows that all but 1.8% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $373.8 million in Canada.

Real Estate

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 81	10.5	1970	$ 6,320	3.0
1895	125	10.8	1971	6,904	3.1
1900	158	9.1	1972	7,295	3.0
1905	171	6.3	1973	7,693	3.0
1910	173	4.5	1974	8,331	3.2
1915	173	3.3	1975	9,621	3.3
1920	172	2.3	1976	10,476	3.3
1925	266	2.3	1977	11,060	3.2
1930	548	2.9	1978	11,764	3.0
1935	1,990	8.6	1979	13,007	3.0
1940	2,065	6.7	1980	15,033	3.1
1945	857	1.9	1981	18,278	3.5
1950	1,445	2.2	1982	20,624	3.5
1955	2,581	2.9	1983	22,234	3.4
1960	3,765	3.1	1984	25,767	3.6
1965	4,681	3.0	1985	28,822	3.5
1966	4,885	2.9	1986	31,615	3.4
1967	5,187	2.9	1987	34,172	3.3
1968	5,571	3.0	1988	37,371	3.2
1969	5,912	3.0	1989	39,908	3.1

Sources: *Spectator Year Book* and American Council of Life Insurance.

Real Estate Owned by U.S. Life Insurance Companies By State 1989 (000 omitted)

State	Farm	Other	Total
Alabama	$ 84,940	$ 321,772	$ 406,712
Alaska	16,595	92,691	109,286
Arizona	22,031	636,172	658,203
Arkansas	93,139	42,979	136,118
California	264,840	4,771,895	5,036,735
Colorado	54,801	1,493,324	1,548,125
Connecticut	—	798,031	798,031
Delaware	—	38,792	38,792
District of Columbia	—	135,886	135,886
Florida	118,381	2,904,717	3,023,098
Georgia	52,010	1,391,130	1,443,140
Hawaii	—	26,055	26,055
Idaho	24,516	46,065	70,581
Illinois	112,628	1,820,918	1,933,546
Indiana	101,006	413,455	514,461
Iowa	111,766	514,510	626,276
Kansas	15,743	254,196	269,939
Kentucky	21,988	216,963	238,951
Louisiana	67,163	658,301	725,464
Maine	—	62,287	62,287
Maryland	3,416	467,384	470,800
Massachusetts	—	1,540,132	1,540,132
Michigan	21,699	577,621	599,320
Minnesota	55,332	1,075,162	1,130,494
Mississippi	126,721	103,626	230,347
Missouri	42,204	670,127	712,331
Montana	89,578	12,385	101,963
Nebraska	31,604	164,411	196,015
Nevada	7,464	39,211	46,675
New Hampshire	—	2,775	2,775
New Jersey	—	884,918	884,918
New Mexico	5,960	149,321	155,281
New York	279	2,419,807	2,420,086
North Carolina	60,387	429,457	489,844
North Dakota	7,173	122,417	129,590
Ohio	63,096	815,854	878,950
Oklahoma	10,650	819,459	830,109
Oregon	63,171	503,647	566,818
Pennsylvania	—	744,225	744,225
Rhode Island	—	42,592	42,592
South Carolina	93,012	228,420	321,432
South Dakota	28,186	151,990	180,176
Tennessee	8,668	700,345	709,013
Texas	115,922	5,635,263	5,751,185
Utah	476	142,340	142,816
Vermont	—	35,507	35,507
Virginia	824	564,180	565,004
Washington	363,215	449,295	812,510
West Virginia	—	42,679	42,679
Wisconsin	25,284	598,805	624,089
Wyoming	24,300	13,405	37,705
Puerto Rico	—	4,829	4,829
Total United States	2,410,168	36,791,728	39,201,896
Canada	—	373,807	373,807
Other Foreign	—	332,297	332,297
GRAND TOTAL	$2,410,168	$37,497,832	$39,908,000

Source: American Council of Life Insurance.

Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $57.4 billion by year-end 1989. This amount is $3.2 billion more than the $54.2 billion in loans outstanding at the end of 1988.

Policy loans outstanding accounted for 4.4% of company assets at year-end 1989, down from 4.6% in 1988.

The relatively large increases from 1979 through 1982 were related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed for a life insurance policy loan has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in demand for policy loans in 1973–1974, and again in 1979–1982. The trend indicates that a policy loan interest rate more closely related to the general level of interest rates is appropriate. Legislation or regulation permitting flexible policy loan interest rates, based on an index of corporate bonds, is now in effect in all states.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

Policy Loans

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 20	2.6	1970	$16,064	7.8
1895	36	3.1	1971	17,065	7.7
1900	89	5.1	1972	18,003	7.5
1905	226	8.3	1973	20,199	8.0
1910	495	12.8	1974	22,862	8.7
1915	780	15.0	1975	24,467	8.5
1920	859	11.7	1976	24,834	8.0
1925	1,446	12.5	1977	27,556	7.8
1930	2,807	14.9	1978	30,146	7.8
1935	3,540	15.2	1979	34,825	8.1
1940	3,091	10.0	1980	41,411	8.6
1945	1,962	4.4	1981	48,706	9.3
1950	2,413	3.8	1982	52,961	9.0
1955	3,290	3.6	1983	54,063	8.3
1960	5,231	4.4	1984	54,505	7.5
1965	7,678	4.8	1985	54,369	6.6
1966	9,117	5.5	1986	54,055	5.8
1967	10,059	5.7	1987	53,626	5.1
1968	11,306	6.0	1988	54,236*	4.6
1969	13,825	7.0	1989	57,439	4.4

*Excludes some $600 million of policy loans securitized during 1988.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Miscellaneous Assets

U.S. life insurance companies held $106.4 billion in miscellaneous assets at the end of 1989.

Two major components accounting for 34.7% of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services.

Miscellaneous Assets

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 89	11.5	1925	$ 604	5.3
1895	111	9.6	1930	977	5.2
1900	192	11.0	1935	1,705	7.3
1905	201	7.4	1940	1,977	6.3
1910	191	4.9	1945	1,738	3.9
1915	282	5.4	1950	2,591	4.1
1920	474	6.5	1955	3,742	4.1

Year	Cash	Due and Deferred Premiums	Due and Accrued Investment Income	Other*	Total Amount	% of Assets
1960	$1,330	$ 2,379	$ 1,006	$ 558	$ 5,273	4.4
1965	1,503	3,303	1,403	1,025	7,234	4.5
1970	1,758	5,118	2,185	1,848	10,909	5.3
1971	1,763	5,436	2,404	2,229	11,832	5.3
1972	1,981	5,976	2,679	2,491	13,127	5.5
1973	2,071	6,376	2,932	2,678	14,057	5.6
1974	1,999	7,086	3,263	3,037	15,385	5.8
1975	1,925	7,744	3,741	3,564	16,974	5.9
1976	2,003	8,375	4,349	3,775	18,502	5.7
1977	2,130	9,284	5,048	4,589	21,051	6.0
1978	2,367	10,349	5,844	5,173	23,733	6.1
1979	2,670	11,692	6,555	6,646	27,563	6.3
1980	3,210	12,939	7,419	8,134	31,702	6.6
1981	4,279	14,722	8,352	12,741	40,094	7.6
1982	4,612	15,515	9,533	18,911	48,571	8.3
1983	3,964	16,099	10,971	23,012	54,046	8.2
1984	4,631	15,108	12,333	31,704	63,776	8.8
1985	5,130	15,209	14,285	37,347	71,971	8.7
1986	5,781	13,885	15,390	45,536	80,592	8.6
1987	4,891	15,093	17,041	52,561	89,586	8.6
1988	4,575	15,542	18,756	59,060	97,933	8.4
1989	5,027	16,371	20,529	64,449	106,376	8.2

*Includes real estate joint ventures.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets Held In Separate Accounts

Separate account investments totaled $146.2 billion at the end of 1989. Holdings in these accounts increased by $21.9 billion, or 17.6%, during the year.

Of the total amount held, $65.6 billion, or 44.9%, was in common stocks, compared with $51.4 billion, or 41.3%, at the end of 1988. Acquisitions of common stocks for separate accounts amounted to $35.7 billion in 1989 and $29.4 billion of common stocks were disposed of during the year. The increase in common stocks of $14.2 billion resulted from net acquisitions of $6.3 billion and a gain in valuation of $7.9 billion. Holdings of bonds increased 5.3% to $43.4 billion during 1989. Real estate holdings increased by $1.1 billion, or 10.8%, in 1989.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

Distribution of Assets Held in Separate Accounts

U.S. Life Insurance Companies (000,000 omitted)

Year	Bonds	Stocks		Mortgages	Real Estate	Cash	Other	Total
		Common	Preferred					
1967	$ 114	$ 1,055	$ 9	$ 14	*	$ 13	$ 2	$ 1,207
1968	233	1,915	31	20	$ 1	48	21	2,269
1969	638	2,745	48	36	1	52	99	3,619
1970	878	3,955	86	37	2	69	34	5,061
1971	763	6,416	83	87	24	88	62	7,523
1972	948	8,673	71	120	96	68	82	10,058
1973	1,581	7,900	53	171	186	64	75	10,030
1974	2,326	6,158	34	202	372	57	127	9,276
1975	2,553	9,277	46	200	563	55	279	12,973
1976	2,750	12,152	67	214	653	41	346	16,223
1977	4,569	10,946	51	268	803	43	678	17,358
1978	6,604	11,493	35	311	1,146	45	792	20,426
1979	9,187	12,868	34	410	2,097	50	998	25,644
1980	12,392	17,665	40	687	3,341	307	1,340	35,772
1981	18,244	16,909	48	1,401	5,030	359	2,103	44,094
1982	24,563	20,563	78	2,556	5,686	471	3,364	57,281
1983	27,294	24,845	273	4,372	6,437	532	4,103	67,856
1984	28,542	24,109	207	3,341	7,816	638	5,027	69,680
1985	34,149	33,916	242	4,402	8,561	614	6,217	88,101
1986	39,260	42,303	183	5,897	9,084	797	11,052	108,576
1987	36,900	47,652	220	4,095	9,291	676	13,295	112,129
1988	41,192	51,390	280	4,323	10,132	542	16,473	124,332
1989	43,380	65,628	249	3,736	11,225	376	21,626	146,220

Note: In 1989, 194 U.S. life companies had assets in separate accounts, compared with 192 companies in 1988.

*Less than $500,000.

Source: American Council of Life Insurance.

LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1989 totaled an estimated 2,350.

Growth in the number of companies was most rapid between the end of World War II and 1970. A period of relative decline occurred between 1970 and 1977, but the number of companies reached an all-time high in 1989. The data shown here do not include fraternal benefit societies although they may operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1989, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

Of the companies in business at mid-year 1989, a total of 2,188, or 94.9%, were owned by stockholders. The remaining 117 were mutual companies. Mutual

Number of U.S. Life Insurance Companies

Year	Number	Year	Number	Year	Number
1759	1	1920	335	1971	1,765
1760	1	1925	379	1972	1,753
1770	2	1930	438	1973	1,766
1780	2	1935	373	1974	1,757
1790	3	1940	444	1975	1,746
1800	4	1945	473	1976	1,742
1810	2	1950	649	1977	1,789
1820	6	1955	1,107	1978	1,840
1830	9	1960	1,441	1979	1,895
1840	15	1961	1,448	1980	1,958
1850	48	1962	1,469	1981	1,991
1860	43	1963	1,488	1982	2,060
1870	129	1964	1,547	1983	2,117
1880	59	1965	1,629	1984	2,193
1890	60	1966	1,704	1985	2,261
1900	84	1967	1,715	1986	2,254
1905	126	1968	1,763	1987	2,337
1910	284	1969	1,773	1988	2,343
1915	295	1970	1,780	1989	2,350

Note: The figure for 1988 is revised. The figure for 1989 is preliminary.

Sources: *Marketing Life Insurance* (J. Owen Stalson), American Council of Life Insurance and *Best's Review*.

companies, which are generally older and larger than the stockholder-owned companies, had 46.1% of the assets of all U.S. life companies and accounted for 38.2% of life insurance in force. In the past 23 years, 15 companies have converted from the status of a mutual company to a stock company and two stock companies have converted to mutuals.

In mid-year 1989, most stock companies were located in either the South, 36%, or the West, 40%, with the remaining companies in the Midwest region, 16%, and the Northeast, 8%. Mutual companies were domiciled predominantly in the Midwest region, 51% of the total, followed by 30% in the Northeast, 13% in the South and 6% in the West.

At year-end 1988, there were 175 life insurance companies that had been writing life insurance for more than 50 years. Among these, 34 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The oldest companies, those over 100 years old, held the majority of assets at the end of 1988, 51.3% and 38.1% of life insurance in force. Companies in business between 50 and 100 years accounted for 20.3% of the assets and 24.0% of the total in force. Younger companies—those in business for 25 to 50 years—had 14.5% of the assets and 17.2% of the life insurance in force. The newest companies, those in business less than 25 years, had 13.9% of assets and 20.7% of the insurance in force.

Number of U.S. Life Insurance Companies by State, Mid-Year 1989

State	Number	State	Number	State	Number
Alabama	30	Louisiana	107	Oklahoma	54
Alaska	1	Maine	5	Oregon	6
Arizona	724	Maryland	17	Pennsylvania	60
Arkansas	33	Massachusetts	16	Rhode Island	6
California	59	Michigan	28	South Carolina	23
Colorado	25	Minnesota	26	South Dakota	8
Connecticut	24	Mississippi	30	Tennessee	27
Delaware	65	Missouri	47	Texas	267
D.C.	5	Montana	4	Utah	16
Florida	47	Nebraska	29	Vermont	5
Georgia	32	Nevada	3	Virginia	16
Hawaii	6	New Hampshire	4	Washington	21
Idaho	4	New Jersey	13	West Virginia	2
Illinois	82	New Mexico	6	Wisconsin	28
Indiana	55	New York	89	Wyoming	2
Iowa	37	North Carolina	23	Total U.S.	2,305
Kansas	17	North Dakota	11		
Kentucky	15	Ohio	45		

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

Source: American Council of Life Insurance.

Number of U.S. Life Insurance Companies in Business, Year-End 1988

Year Commenced Business	Stock	Mutual	Total
1875 and Prior	8	22	30
1876–1925	90	29	119
1926–1950	139	34	173
1951–1960	295	18	313
1961–1970	362	9	371
1971–1980	441	3	444
1981–1988	890	3	893
Total	2,225	118	2,343

Source: American Council of Life Insurance.

Change in Number of U.S. Life Insurance Companies In Business in the United States

	In Business Start of Year			New Operations	Discontinued	In Business Year-End			Net Changes During Year
Year	Stock	Mutual	Total			Stock	Mutual	Total	
1950	478	133	611	44	6	507	142	649	+ 38
1951	507	142	649	50	20	531	148	679	+ 30
1952	531	148	679	62	11	567	163	730	+ 51
1953	567	163	730	117	15	661	171	832	+ 102
1954	661	171	832	115	30	753	164	917	+ 85
1955	753	164	917	216	26	942	165	1,107	+ 190
1956	942	165	1,107	133	49	1,035	156	1,191	+ 84
1957	1,035	156	1,191	120	38	1,119	154	1,273	+ 82
1958	1,119	154	1,273	142	50	1,212	153	1,365	+ 92
1959*	1,212	153	1,365	125	65	1,273	152	1,425	+ 60
1960	1,273	152	1,425	96	80	1,286	155	1,441	+ 16
1965	1,393	154	1,547	149	67	1,475	154	1,629	+ 82
1966	1,475	154	1,629	156	81	1,550	154	1,704	+ 75
1967	1,550	154	1,704	90	79	1,561	154	1,715	+ 11
1968	1,561	154	1,715	112	64	1,608	155	1,763	+ 48
1969	1,608	155	1,763	74	64	1,619	154	1,773	+ 10
1970	1,619	154	1,773	73	66	1,627	153	1,780	+ 7
1971	1,627	153	1,780	49	64	1,612	153	1,765	− 15
1972	1,612	153	1,765	76	88	1,603	150	1,753	− 12
1973	1,603	150	1,753	75	62	1,619	147	1,766	− 13
1974	1,619	147	1,766	73	82	1,612	145	1,757	− 9
1975	1,612	145	1,757	63	74	1,603	143	1,746	− 11
1976	1,603	143	1,746	85	89	1,602	140	1,742	− 4
1977	1,602	140	1,742	89	42	1,647	142	1,789	+ 47
1978	1,647	142	1,789	117	66	1,700	140	1,840	+ 51
1979	1,700	140	1,840	116	61	1,758	137	1,895	+ 55
1980	1,758	137	1,895	155	92	1,823	135	1,958	+ 63
1981	1,823	135	1,958	137	104	1,855	136	1,991	+ 33
1982	1,855	136	1,991	152	83	1,926	134	2,060	+ 69
1983	1,926	134	2,060	137	80	1,985	132	2,117	+ 57
1984	1,985	132	2,117	166	90	2,062	131	2,193	+ 76
1985	2,062	131	2,193	140	72	2,133	128	2,261	+ 68
1986	2,133	128	2,261	89	96	2,128	126	2,254	− 7
1987	2,128	126	2,254	168	85	2,212	125	2,337	+ 83
1988	2,212	125	2,337	92	86	2,225	118	2,343	+ 6
1989	2,225	118	2,343	N.A.	N.A.	N.A.	N.A.	2,350	+ 7

Note: Data for 1988 are revised. The figure for year-end 1989 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

Source: American Council of Life Insurance.

EMPLOYMENT IN INSURANCE

The insurance business in the United States employed 2,127,800 persons in all of its branches in 1989.

Government data on employees of insurance agencies and home offices in 1989 show a total of 1,468,000 insurance home office personnel (576,200 in life insurance) and 659,800 insurance agents, brokers and service personnel.

Not included in these figures are persons on unpaid leaves of absence, persons working in insurance but not employed by a firm that participates in the unemployment insurance program, and persons who for some other reasons were not counted in the U.S. Bureau of Labor Statistics' periodic surveys of service establishments. Data gathered by the U.S. Census Bureau through household interviews show a total of 2,372,000 persons who identify their main employment as in the insurance field.

Data from an annual survey of 382 life and health insurance companies that are members of the Center for Corporate Public Involvement show that in 1989, women comprised 60% of company employees; minorities accounted for 17%. Women held 53% of professional, technical and managerial positions, and minorities represented 12% of reporting company employees in such positions. (The Center is sponsored jointly by the American Council of Life Insurance and the Health Insurance Association of America.)

Number of Persons Employed in Insurance in the United States

	Home Office Personnel					
Year	Life Insurance	Health Insurance	Other	Total	Agents, Brokers, Service Personnel	Total
1960	452,400	50,200	329,100	831,700	217,300	1,049,000
1965	481,200	54,200	358,000	893,400	250,300	1,143,700
1970	525,600	93,900	410,200	1,029,700	288,000	1,317,700
1975	520,500	122,100	442,700	1,085,300	339,400	1,424,700
1976	513,900	127,300	460,100	1,101,300	350,900	1,452,200
1977	518,600	131,900	490,400	1,140,900	372,200	1,513,100
1978	519,100	135,400	519,100	1,173,600	403,200	1,576,800
1979	519,600	137,300	542,900	1,199,800	430,100	1,629,900
1980	531,900	141,900	550,300	1,224,100	452,300	1,676,400
1981	542,200	142,700	552,000	1,236,900	465,100	1,702,000
1982	546,100	142,100	549,100	1,237,300	476,200	1,713,500
1983	539,900	144,800	544,200	1,228,900	490,700	1,719,600
1984	536,700	153,900	549,200	1,239,800	517,500	1,757,300
1985	559,300	170,900	561,700	1,291,900	541,500	1,833,400
1986	578,900	186,700	598,600	1,364,200	580,700	1,944,900
1987	585,500	193,700	633,100	1,412,300	631,200	2,043,500
1988	593,400	204,100	606,300	1,403,800	623,500	2,027,300
1989	576,200	233,500	658,300	1,468,000	659,800	2,127,800

Note: Includes only persons on the payroll of insurance establishments that participate in the unemployment insurance program.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, various issues.

LIFE EXPECTANCY

The average length of a person's life in the United States has increased by almost 60% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1960, life expectancy increased by 22.4 years, but since 1960, it has increased by only 5.5 years to 75.2 years in 1989.

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has

Expectation of Life at Birth in the United States (Years)

	White			All Other			Total		
Year	Male	Female	Total	Male	Female	Total	Male	Female	Total
1900	46.6	48.7	47.6	32.5	33.5	33.0	46.3	48.3	47.3
1910	48.6	52.0	50.3	33.8	37.5	35.6	48.4	51.8	50.0
1920	54.4	55.6	54.9	45.5	45.2	45.3	53.6	54.6	54.1
1930	59.7	63.5	61.4	47.3	49.2	48.1	58.1	61.6	59.7
1940	62.1	66.6	64.2	51.5	54.9	53.1	60.8	65.2	62.9
1950	66.5	72.2	69.1	59.1	62.9	60.8	65.6	71.1	68.2
1960	67.4	74.1	70.6	61.1	66.3	63.6	66.6	73.1	69.7
1965	67.6	74.7	71.0	61.1	67.4	64.1	66.8	73.7	70.2
1970	68.0	75.6	71.7	61.3	69.4	65.3	67.1	74.8	70.9
1971	68.3	75.8	72.0	61.6	69.8	65.6	67.4	75.0	71.1
1972	68.3	75.9	72.0	61.5	70.1	65.7	67.4	75.1	71.2
1973	68.5	76.1	72.2	62.0	70.3	66.1	67.6	75.3	71.4
1974	69.0	76.7	72.8	62.9	71.3	67.1	68.2	75.9	72.0
1975	69.5	77.3	73.4	63.7	72.4	68.0	68.8	76.6	72.6
1976	69.9	77.5	73.6	64.2	72.7	68.4	69.1	76.8	72.9
1977	70.2	77.9	74.0	64.7	73.2	68.9	69.5	77.2	73.3
1978	70.4	78.0	74.1	65.0	73.5	69.3	69.6	77.3	73.5
1979	70.8	78.4	74.6	65.4	74.1	69.8	70.0	77.8	73.9
1980	70.7	78.1	74.4	65.3	73.6	69.5	70.0	77.4	73.7
1981	71.1	78.4	74.8	66.1	74.4	70.3	70.4	77.8	74.2
1982	71.5	78.7	75.1	66.8	75.0	71.0	70.9	78.1	74.5
1983	71.7	78.7	75.2	67.2	74.9	71.1	71.0	78.1	74.6
1984	71.8	78.7	75.3	67.4	75.0	71.3	71.2	78.2	74.7
1985	71.9	78.7	75.3	67.2	75.0	71.2	71.2	78.2	74.7
1986	72.0	78.8	75.4	67.2	75.1	71.2	71.3	78.3	74.8
1987	72.2	78.9	75.6	67.3	75.2	71.3	71.5	78.4	75.0
1988*	72.1	78.9	75.5	67.4	75.5	71.5	71.4	78.3	74.9
1989*	72.6	79.1	75.9	67.5	75.7	71.7	71.8	78.5	75.2

*Data are provisional.

Note: Some data are revised.

Sources: National Center for Health Statistics, U.S. Department of Health and Human Services.

increased by 30.3 years since 1900, while male life expectancy has increased by 25.5 years. The life expectancy for newborn boys rose to 71.8 years, while the life expectancy for newborn girls was 78.5 years.

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages.

Expectation of Life at Various Ages in the United States, 1986–1989

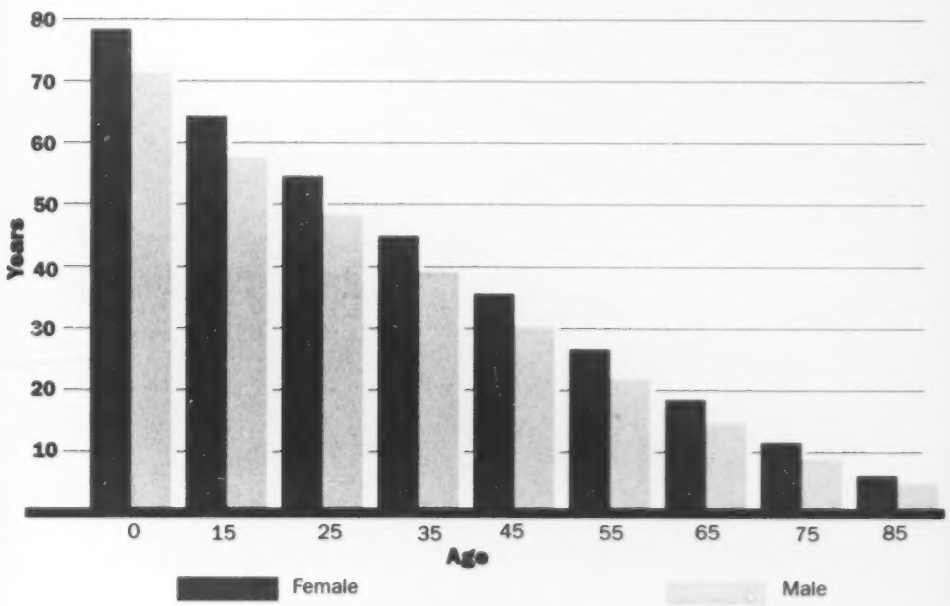
	1986			1987			1988*			1989†		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	71.3	78.3	74.8	71.5	78.4	75.0	71.4	78.3	74.9	71.8	78.5	75.2
15	57.5	64.3	60.9	57.6	64.3	61.0	57.6	64.3	61.0	58.0	64.5	61.3
25	48.2	54.6	51.5	48.4	54.6	51.6	48.4	54.6	51.6	48.8	54.8	51.9
35	39.1	44.9	42.1	39.2	45.0	42.2	39.2	45.0	42.2	39.6	45.2	42.5
45	30.1	35.5	32.9	30.3	35.6	33.0	30.3	35.6	33.0	30.9	35.8	33.4
55	21.8	26.6	24.3	21.9	26.7	24.4	21.9	26.6	24.4	22.3	26.8	24.7
65	14.7	18.6	16.8	14.8	18.7	16.9	14.8	18.6	16.9	15.2	18.8	17.2
75	9.1	11.7	10.7	9.2	11.8	10.7	9.1	11.7	10.6	9.4	11.9	10.9
85	5.2	6.4	6.0	5.2	6.4	6.1	5.1	6.4	6.0	5.4	6.5	6.2

*Data are provisional. †Data are estimated.

Note: Some data are revised.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services, and Metropolitan Life Insurance Company.

Expectation of Life at Various Ages in the United States 1989



CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The crude death rate in 1989 was 8.7 per 1,000 population, down from 8.8 in 1988.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1989, two-thirds of the deaths in the United States were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1960s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death.

The percentage of deaths due to cardiovascular-renal diseases declined to 43.2% of all deaths in 1989. Deaths due to ischemic heart disease and chronic disease of the endocardium and other myocardial insufficiencies declined to 23.1% in 1989.

The proportion of deaths due to cancer increased to 23.0%.

In 1989, the percentage of deaths due to motor vehicle accidents was 2.2%. The percentage of deaths attributable to accidents, other than those involving motor vehicles, also amounted to 2.2% of deaths in 1989. Two other external causes of death, suicide and homicide, represented 2.4% of deaths.

During 1989 reported deaths in the U.S. due to human immunodeficiency virus (HIV) infection accounted for 1% of total deaths.

Over the years, the nation's life and health insurance companies have made significant contributions to basic research relating to causes of death. Cardiology was a prime research area after World War II. A recent focus has been in the areas of delivery of health care services and preventive medicine through the Life Cycle Preventive Health Care Study. The Life and Health Insurance Medical Research Fund, supported by insurance company contributions, provides funds for basic medical research in AIDS, Alzheimer's, heart, cancer and metabolic diseases, and scholarships for students working on combination M.D./Ph.D. degrees and planning careers in medical research. The life insurance business is also a major contributor to the National Fund for Medical Education, which provides grants for research and innovation in medical education and postgraduate fellowships for medical educators.

Causes of Death in the United States Population

Causes of Death	Percent of Deaths							
	1900	1920	1940	1960	1980	1985	1988*	1989*
NATURAL CAUSES								
Ischemic Heart Disease and Other Myocardial Insufficiencies	7.9%	12.2%	26.5%	28.9%	28.8%	25.7%	23.5%	23.1%
Hypertensive Heart Disease and Hypertension	†	†	†	†	1.5	1.5	1.4	1.4
Other Diseases of the Heart	†	†	†	7.8	8.2	10.1	10.7	9.9
Cerebrovascular Disease	4.7	6.6	7.4	11.3	8.6	7.3	6.9	6.8
Diseases of the Arteries, Arterioles and Capillaries	0.3	1.8	1.8	2.1	2.5	2.2	2.1	2.0
Cancer	3.8	6.6	11.5	15.6	20.9	22.1	22.4	23.0
Diabetes	0.6	1.2	2.5	1.7	1.8	1.8	1.8	2.2
Influenza and Pneumonia	10.4	11.7	6.5	3.9	2.7	3.2	3.6	3.5
Chronic Liver Disease and Cirrhosis	1.3	0.8	0.9	1.2	1.5	1.3	1.2	1.2
Other Diseases	65.9	52.3	34.1	20.4	15.3	17.8	19.6	20.1
Total Natural Causes	94.9	93.2	91.2	92.9	91.9	93.0	93.2	93.2
EXTERNAL CAUSES								
Motor Vehicle Accidents	—	0.8	2.4	2.2	2.7	2.2	2.2	2.2
Other Accidents	4.4	4.7	4.4	3.3	2.8	2.4	2.3	2.2
Suicide	0.6	0.8	1.4	1.1	1.4	1.4	1.3	1.4
Homicide	0.1	0.5	0.6	0.5	1.2	1.0	1.0	1.0
Total External Causes	5.1	6.8	8.8	7.1	8.1	7.0	6.8	6.8
TOTAL ALL CAUSES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

†Included with "Other Diseases."

*Preliminary

Source: National Center for Health Statistics, U.S. Department of Health and Human Services. *Vital Statistics of the United States*, various annual editions.

Death Rate

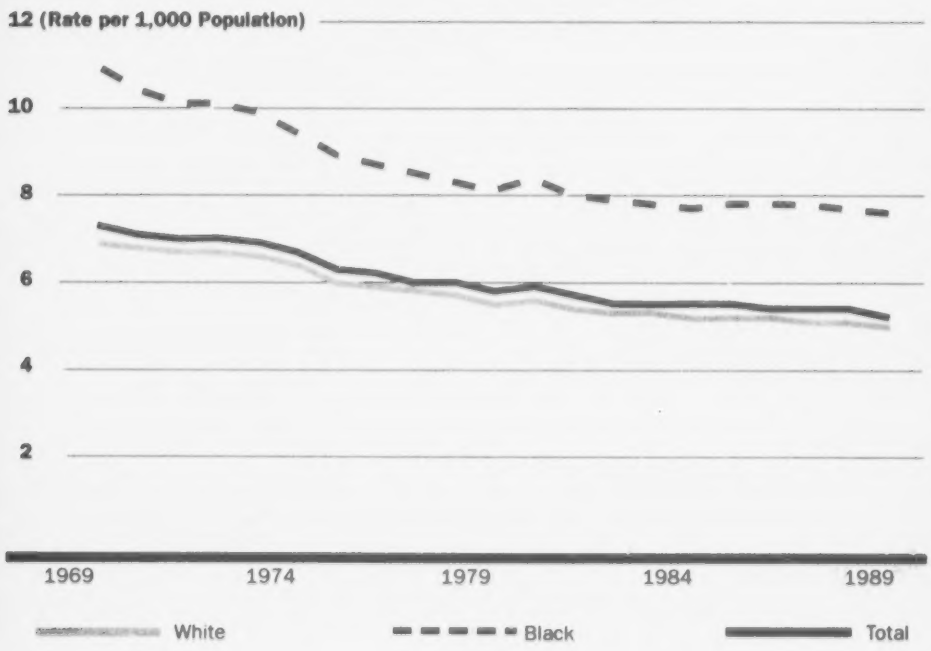
The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 5.2 per thousand in 1989, down from 5.4 in 1988 and the lowest rate ever recorded. In 1977, the rate was 6.0. From 1977 to 1982 there was an 8.3% drop to 5.5. The drop from 1982 to 1989 was less significant—a decrease of 5.5%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. The mortality rates for these two causes, which accounted for 41.2% of the 1989 deaths from all causes, decreased 8.4% from 1984 to 1989.

For 1989 the death rate for the male population was 6.8 per thousand, compared with the female rate of 4.0 per thousand. The rate for black persons was 7.6 per thousand, compared with a rate of 5.0 per thousand for white persons.

During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Age Adjusted Death Rate in the United States



Between 1950 and 1970, however, there was relatively little change in the death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.1 per thousand in 1970 to 5.2 per thousand in 1989. Between 1970 and 1989 the overall death rate for men experienced a greater percentage decline than that for women. The rate per thousand for men declined from 9.3 to 6.8, a decrease of 27%; for women the change was from 5.3 per thousand in 1970 to 4.0 per thousand in 1989, a 25% decline.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

Year	Male	Female	Total	Year	Male	Female	Total
1915	15.4	13.4	14.4	1975	8.4	4.6	6.3
1920	14.7	13.8	14.2	1976	8.2	4.6	6.2
1925	13.8	12.2	13.0	1977	8.0	4.4	6.0
1930	13.5	11.3	12.5	1978	7.9	4.4	6.0
1935	12.9	10.4	11.6	1979	7.7	4.2	5.8
1940	12.1	9.4	10.8	1980	7.8	4.3	5.9
1945	11.1	8.0	9.5	1981	7.5	4.2	5.7
1950	10.0	6.9	8.4	1982	7.3	4.1	5.5
1955	9.3	6.1	7.7	1983	7.3	4.1	5.5
1960	9.5	5.9	7.6	1984	7.2	4.1	5.5
1965	9.5	5.6	7.4	1985	7.2	4.1	5.5
1970	9.3	5.3	7.1	1986	7.1	4.1	5.4
1971	9.1	5.2	7.0	1987	7.0	4.0	5.4
1972	9.2	5.2	7.0	1988*	7.0	4.0	5.4
1973	9.1	5.1	6.9	1989*	6.8	4.0	5.2
1974	8.7	4.9	6.6				

*Data are provisional.

N.A.—Not available.

Note: Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915–1930 are for Death Registration States only; 1935–1989 are for the United States.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 97% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 3% of ordinary life applications are not acceptable. Nearly three-fourths of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, sex, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would formerly have had to pay higher premiums because of their health or occupations.

In 1980, the Society of Actuaries and the Association of Life Insurance Medical Directors released findings from a major new statistical investigation of the effects of weight and blood pressure on mortality. The study, a follow-up to the landmark

Ordinary Life Insurance Applications in the United States

	1984		1988	
	Policies	Amount	Policies	Amount
ISSUED AND PAID FOR				
Standard	87%	85%	87%	84%
Extra-Risk	3	3	3	3
Total	90	88	90	87
NOT TAKEN BY APPLICANT				
Standard	7	8	6	8
Extra-Risk	1	2	1	2
Total	8	10	7	10
DECLINED BY COMPANY	2	2	3	3
TOTAL	100%	100%	100%	100%

Source: American Council of Life Insurance

1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

In 1988, extra-risk policies accounted for less than 4% of all the ordinary life insurance policies issued and paid for and less than 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1988 showed that 82% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 36%; weight problems, 14%; other medical reasons, 32%. The remaining 18% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

Standard and Extra-Risk Ordinary Life Insurance in the United States

	Purchased During Year		Insurance In Force at End of Year	
	Policies	Amount	Policies	Amount
1984				
Standard	17,045,000	$796,151,000,000	139,450,000	$2,800,756,000,000
Extra-Risk	650,000	24,164,000,000	5,166,000	86,818,000,000
Total	17,695,000	$820,315,000,000	144,616,000	$2,887,574,000,000
1988				
Standard	15,038,000	$962,331,000,000	138,813,000	$4,381,674,000,000
Extra-Risk	541,000	33,355,000,000	4,901,000	129,934,000,000
Total	15,579,000	$995,686,000,000	143,714,000	$4,511,608,000,000

Source: American Council of Life Insurance.

OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for 97.6% of life insurance in force in the United States at the end of 1989. The remainder, $217.6 billion, was issued by other private insurers and by the federal government.

Veterans life insurance in force totaled $26.8 billion, including $155.1 million of U.S. Government Life Insurance (World War I), and $26.6 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $50,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

Veterans Life Insurance (000,000 omitted)

Year	Insurance In Force		Benefit Payments				Supplementary Contract Payments	Premium Income
	Policies	Amount	Death Payments	Dividends	Other Benefits	Total		
1941	1	$ 5,034	$ 39	$ 8	$ 36	$ 83	$ 15	$ 67
1945	13	98,426	1,227	8	27	1,262	240	1,029
1950	7	45,286	204	625	50	879	325	465
1955	6	42,728	114	196	56	366	319	471
1960	6	42,030	162	262	67	491	307	550
1965	6	39,369	219	222	81	522	238	579
1970	5	37,474	301	274	142	717	216	579
1971	5	36,925	312	285	138	735	209	586
1972	5	36,591	326	297	123	746	307	703
1973	5	36,214	341	302	130	773	195	647
1974	5	35,736	361	334	126	821	189	646
1975	5	35,257	359	376	132	867	183	655
1976	5	34,721	374	403	151	928	184	679
1977	5	34,207	382	444	169	995	178	673
1978	5	33,657	393	482	174	1,049	170	684
1979	5	33,002	401	562	206	1,169	175	680
1980	5	32,378	429	615	220	1,264	180	708
1981	4	31,690	447	659	250	1,356	180	728
1982	4	30,941	452	667	260	1,379	163	743
1983	4	30,115	475	721	259	1,455	147	734
1984	4	28,777	488	796	263	1,547	143	743
1985	4	28,142	512	904	317	1,733	136	757
1986	4	27,888	518	935	336	1,789	133	801
1987	4	27,330	554	960	285	1,799	129	814
1988	3	26,826	579	1,000	276	1,855	140	808
1989	3	26,810	586	1,032	279	1,897	153	806

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

In addition, a new program was introduced in 1974, Veterans Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in amounts up to $50,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by 221 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $161.8 billion in 1989, an increase of $14.0 billion over 1988. Benefit payments amounted to $1.9 billion for the year. Fraternal benefit societies reported 43,161 lodges in the United States and Canada in 1989.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $29.0 billion in 1989, an increase of 9.9% during the year. The banks issued $3.1 billion during the year, $401 million less than the previous year. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $100,000 ($200,000 for group term insurance), Massachusetts, $250,000, and New York, $50,000 ($350,000 for group term insurance).

Fraternal and Savings Bank Life Insurance (000,000 omitted)

	1984	1985	1986	1987	1988	1989
FRATERNAL LIFE INSURANCE (U.S. and Canadian Societies)						
Insurance in Force	$90,062	$104,393	$119,763	$134,027	$147,714	$161,776
Insurance Purchased	24,519	29,220	27,913	25,458	24,442	24,649
Assets	14,630	16,288	18,418	20,630	23,346	26,165
Benefits	1,327	1,559	1,612	1,641	1,728	1,873
Premium Income	1,608	1,996	2,262	2,551	2,693	2,615
SAVINGS BANK LIFE INSURANCE						
Connecticut						
Insurance In Force	$ 1,812	$ 1,959	$ 2,149	$ 2,234	$ 2,759	$ 3,004
Insurance Purchased*	213	268	287	256	784	687
Assets	73	92	114	133	163	194
Benefits	9	8	9	10	10	9
Premium Income**	17	24	28	26	35	38
Massachusetts						
Insurance In Force	$ 4,422	$ 4,776	$ 5,157	$ 6,603	$ 8,273‡	$ 9,409
Insurance Purchased	478	482	477	1,573	1,944	1,755
Assets	520	559	595	627	667	709
Benefits	46	54	58	62	69	70
Premium Income**	48	50	54	59	66	68
New York						
Insurance In Force	$ 9,358	$ 9,617	$ 10,896	$ 13,291	$ 15,334	$ 16,561
Insurance Purchased	348	913	1,119	3,076	736	621
Assets	629	672	709	745	801	845
Benefits	78	87	85	86	95	95
Premium Income**	95	97	99	107	110	114

*Purchases include reinsurance assumed, revivals and increases.

**Includes annuity considerations.

‡Revised.

Sources: The National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts) — prior to 1985 figures were reported as of October 31; Savings Bank Life Insurance Fund (New York).

LIFE INSURANCE IN VARIOUS COUNTRIES

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, the Americas and Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index that reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. Ireland ranks second, followed by Canada. The other countries in which life insurance in force equals or exceeds national income are South Africa, the United States, the Netherlands, Korea, Australia, the United Kingdom and Belgium.

Ratio of Life Insurance in Force to National Income In Various Countries

Country	1983	1988	Country	1983	1988
Australia	117	126	Korea	84	165
Austria	30	40*	Netherlands	135	182
Belgium	51	111	Norway	48	97
Canada	177	220	Pakistan	16	18
Costa Rica	20	26	Philippines	22	23
Denmark	59	78	South Africa	167	195
Egypt	6	6*	Spain	23	53
Germany (F.R.)	67	76	Tanzania	4	2
Honduras	32	41	Thailand	10	16
Iceland	10	30	Tunisia	12	5
Indonesia	5	6	United Kingdom	92	123
Ireland	135	223	United States	165	184
Japan	313	392	Zambia	11	7

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

*Data are for 1987.

Sources: American Council of Life Insurance and International Monetary Fund.

Life Insurance in Force in Various Countries (000,000 omitted)

Country	Currency	1960	1970	1980	1988	1989
Australia	Dollar	8,464	39,710	120,799	321,889	379,942
Austria	Schilling	9,132	40,104	237,282	581,893	625,000
Belgium	Franc	173,896	459,339	1,648,739	5,683,331	N.A.
Canada	Dollar	46,867	118,822	431,194	995,130	1,066,778
Chile	Peso	N.A.	N.A.	588,457	10,452,562	8,646,141
China (Taiwan)	N.T. Dollar	969	19,674	304,976	2,716,009	3,463,402
Costa Rica	Colone	494	1,884	15,996	82,082	104,292
Denmark	Kroner	11,270	47,576	196,382	494,444	542,875
Egypt	Pound	147	155	940	3,741	5,338
Fiji	Dollar	N.A.	N.A.	421	800	N.A.
Finland	Markkaa	4,742	11,938	22,975	44,769	45,000
France	Franc	53,289	292,000	2,426,000	6,268,518	6,800,000
Germany (F.R.)	D. Mark	65,616	235,234	785,138	1,415,937	1,562,337
Honduras	Lempira	N.A.	N.A.	1,020	3,348	N.A.
Iceland	Kronur	3	48	1,143	65,460	79,896
Indonesia	Rupiah	N.A.	10,689	1,275,190	7,075,396	7,876,506
Ireland	Irish Pound	180	947	6,992	37,412	40,662
Israel	New Shekel	*	1	82	47,132	58,915
Italy	Lira	2,201,611	7,306,609	24,634,706	127,230,000	N.A.
Japan	Yen	6,696,943	74,938,370	572,328,000	1,231,569,175	1,369,333,600
Korea	Won	9,855	264,451	11,377,847	183,031,717	271,594,900
Malaysia	Ringgit	N.A.	1,570	11,295	60,391	70,518
Mexico	Peso	N.A.	110,993	1,289,563	150,000,000	N.A.
Netherlands	Guilder	38,915	112,288	379,500	731,000	800,000
Norway	Kroner	8,518	22,411	92,590	463,869	539,000
Pakistan	Rupee	1,243	11,681	46,176	117,258	N.A.
Peru	Inti	3	19	157	20,246	1,607,440
Philippines	Peso	2,108	10,437	47,988	168,162	181,069
Poland	Zloty	59,950	252,715	843,949	3,145,953	9,461,697
Portugal	Escudos	N.A.	N.A.	N.A.	665,252	N.A.
South Africa	Rand	N.A.	N.A.	N.A.	312,000	400,000
Spain	Peseta	25,826	184,250	2,644,820	18,281,442	20,000,000
Sweden	Kronor	33,550	196,900	525,000	1,206,000	1,450,000
Tanzania	Shilling	N.A.	194	1,707	6,041	N.A.
Thailand	Baht	2,422	5,267	44,098	205,762	267,490
Tunisia	Dinar	N.A.	N.A.	N.A.	404	473
United Kingdom	Pound	14,509	34,250	152,200	488,746	516,193
United States	Dollar	586,448	1,402,123	3,541,038	8,020,159	8,694,015
Zambia	Kwacha	N.A.	N.A.	212	1,130	1,370

*Less than 500,000.

N.A.—Not available.

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

Source: American Council of Life Insurance.

Canada

Canadians bought some $163.6 billion of life insurance in 1989, an increase of $15.5 billion, or 10.4%, over 1988. Of the 1989 total, 60% was individually purchased insurance and 40% was group. By contrast, group insurance was 44% of purchases in 1979.

At the end of 1988, Canadians owned life insurance equaling 220% of their national income, compared with 184% in the United States.

Total life insurance in force in Canada at the end of 1989 was $1,066.8 billion, a 7.2% increase during the year.

Almost half of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance has increased in proportion to group life insurance in force during the last three years. From year-end 1979 through 1989, group life decreased from 59% to 52% of the total.

The industry administered over 15 million individual life insurance policies and nearly 120,000 group life insurance policies covering 25 million certificates at the end of 1989. Over three-quarters of this protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $12.3 billion. Of this total, $10.3 billion, or 83.8%, was paid as living benefits to policyholders and annuitants.

Life Insurance in Canada

(Millions of Canadian dollars)

	1988	1989
PURCHASES		
Ordinary	$ 97,106	$ 97,448
Group	50,984	66,111
Total	$148,090	$ 163,559
INSURANCE IN FORCE		
Ordinary	$466,518	$ 512,201
Group	528,612	554,577
Total	$995,130	$1,066,778
BENEFIT PAYMENTS		
Death Payments	$ 1,945	$ 1,988
Matured Endowments	78	77
Disability Payments	77	32
Annuity Payments	6,791	8,068
Surrender Values	834	827
Policy Dividends	1,183	1,262
Total	$ 10,908	$ 12,254
PREMIUM INCOME	$ 15,236	$ 16,571

Note: Figures cover the business in Canadian, U.S., and other foreign companies. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." Figures cover both federally registered companies and provincial licensees.

Source: Canadian Life and Health Insurance Association, Inc.

The assets of the 80 Canadian incorporated life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of their funds in the United States, where they conduct one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

Distribution of Assets

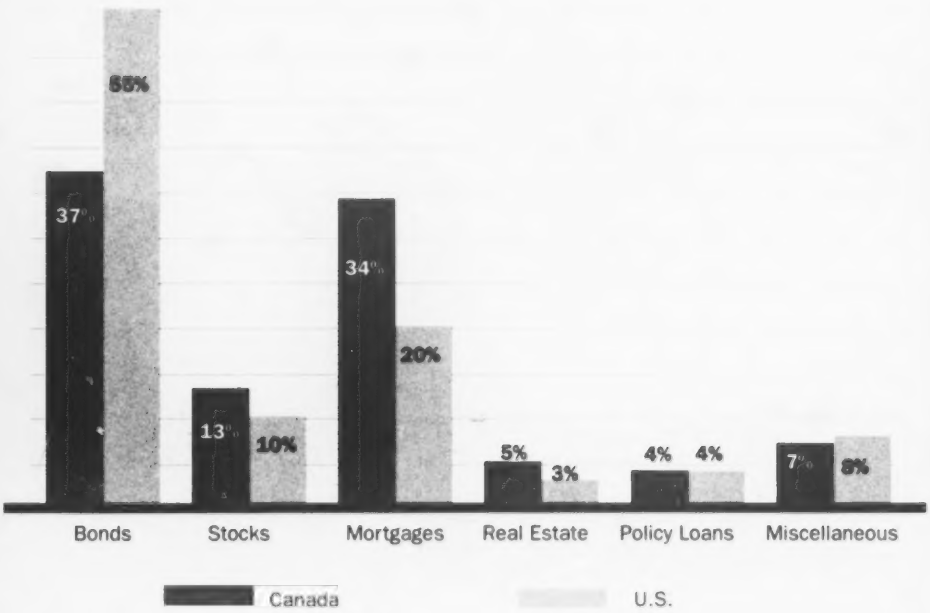
Canadian Life Insurance Companies (Millions of Canadian dollars)

	1984	1985	1986	1987	1988	1989
Bonds	$30,525	$36,701	$ 40,901	$ 45,969	$ 50,298	$ 51,567
Stocks	9,089	9,877	11,959	13,178	14,419	18,209
Mortgages	22,977	27,041	32,430	36,954	40,843	46,840
Real Estate	4,014	4,336	4,917	5,606	6,241	7,274
Policy Loans	4,035	4,060	4,168	4,380	4,493	4,753
Miscellaneous Assets	5,524	5,660	6,407	7,363	8,384	9,188
Total	$76,164	$87,675	$100,782	$113,450	$124,678	$137,831

Note: Figures cover the world-wide business of Canadian companies. Assets do not include deferred premiums. These amounted to $390 million in 1989.

Sources: Canadian Life and Health Insurance Association, Inc.

Distribution of Assets, 1989



STATE INSURANCE OFFICIALS

As of October 1, 1990

Alabama, Montgomery	Michael Weaver	Commissioner of Insurance
Alaska, Juneau	David J. Walsh	Director of Insurance
Arizona, Phoenix	Susan Gallinger	Director of Insurance
Arkansas, Little Rock	Ron Taylor	Insurance Commissioner
California, Los Angeles	Roxani Gillespie	Insurance Commissioner
Colorado, Denver	Joanne Hill	Commissioner of Insurance
Connecticut, Hartford	Peter F. Kelly	Insurance Commissioner
Delaware, Dover	David N. Levinson	Insurance Commissioner
D.C., Washington	Margurite C. Stokes	Superintendent of Insurance
Florida, Tallahassee	Tom Gallagher	Insurance Commissioner
Georgia, Atlanta	Warren D. Evans	Insurance Commissioner
Hawaii, Honolulu	Robin K. Campaniano	Insurance Commissioner
Idaho, Boise	Anthony Fagiano	Director of Insurance
Illinois, Chicago	Zack Stamp	Director of Insurance
Indiana, Indianapolis	John J. Dillon III	Commissioner of Insurance
Iowa, Des Moines	David Lyons, Acting	Commissioner of Insurance
Kansas, Topeka	Fletcher Bell	Commissioner of Insurance
Kentucky, Frankfort	Elizabeth Wright	Commissioner of Insurance
Louisiana, Baton Rouge	Douglas D. Green	Commissioner of Insurance
Maine, Augusta	Joseph A. Edwards	Superintendent of Insurance
Maryland, Baltimore	John Donaho	Insurance Commissioner
Massachusetts, Boston	Timothy H. Gailey	Commissioner of Insurance
Michigan, Lansing	Dhiraj Shah, Acting	Insurance Commissioner
Minnesota, St. Paul	Thomas H. Borman	Commissioner of Insurance
Mississippi, Jackson	George Dale	Commissioner of Insurance
Missouri, Jefferson City	Lewis Melahn	Director of Insurance
Montana, Helena	Andrea Bennett	Commissioner of Insurance
Nebraska, Lincoln	William H. McCartney	Director of Insurance
Nevada, Carson City	Alessandro A. Iuppa	Commissioner of Insurance
New Hampshire, Concord	Louis E. Bergeron	Insurance Commissioner
New Jersey, Trenton	Samuel Fortunato	Commissioner of Insurance
New Mexico, Santa Fe	Fabian Chavez	Superintendent of Insurance
New York, New York	Salvatore R. Curiale	Superintendent of Insurance
North Carolina, Raleigh	James E. Long	Commissioner of Insurance
North Dakota, Bismarck	Earl R. Pomeroy	Commissioner of Insurance
Ohio, Columbus	George Fabe	Director of Insurance
Oklahoma, Oklahoma City	Gerald Grimes	Insurance Commissioner
Oregon, Salem	Theodore R. Kulongoski	Commissioner of Insurance
Pennsylvania, Harrisburg	Constance B. Foster	Commissioner of Insurance
Rhode Island, Providence	Robert J. Janes	Insurance Commissioner
South Carolina, Columbia	John G. Richards	Chief Insurance Commissioner
South Dakota, Pierre	Mary Jane Cleary	Director of Insurance
Tennessee, Nashville	Elaine A. McReynolds	Commissioner of Insurance
Texas, Austin	A. W. Pogue	Commissioner of Insurance
Utah, Salt Lake City	Harold C. Yancey	Commissioner of Insurance
Vermont, Montpelier	Jeffrey P. Johnson	Commissioner of Insurance
Virginia, Richmond	Steven T. Foster	Commissioner of Insurance
Washington, Olympia	Richard G. Marquardt	Insurance Commissioner
West Virginia, Charleston	Hanley C. Clark	Insurance Commissioner
Wisconsin, Madison	Robert D. Haase	Commissioner of Insurance
Wyoming, Cheyenne	Kenneth Erickson	Insurance Commissioner

MORTALITY TABLES

	Commissioners 1980 Standard Ordinary (1970–1975)				1983 Individual Annuity Table (1971–1976)*				United States Population (1979–1981)	
	Male		Female		Male		Female			
Age	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
0	4.18	70.83	2.89	75.83	—	—	—	—	12.60	73.88
1	1.07	70.13	.87	75.04	—	—	—	—	.93	73.82
2	.99	69.20	.81	74.11	—	—	—	—	.65	72.89
3	.98	68.27	.79	73.17	—	—	—	—	.50	71.93
4	.95	67.34	.77	72.23	—	—	—	—	.40	70.97
5	.90	66.40	.76	71.28	.38	74.10	.19	79.36	.37	70.00
6	.86	65.46	.73	70.34	.35	73.12	.16	78.37	.33	69.02
7	.80	64.52	.72	69.39	.33	72.15	.13	77.39	.30	68.05
8	.76	63.57	.70	68.44	.35	71.17	.13	76.40	.27	67.07
9	.74	62.62	.69	67.48	.37	70.20	.14	75.41	.23	66.08
10	.73	61.66	.68	66.53	.38	69.22	.14	74.42	.20	65.10
11	.77	60.71	.69	65.58	.39	68.25	.15	73.43	.19	64.11
12	.85	59.75	.72	64.62	.41	67.28	.16	72.44	.25	63.12
13	.99	58.80	.75	63.67	.42	66.30	.17	71.45	.37	62.14
14	1.15	57.86	.80	62.71	.43	65.33	.18	70.46	.53	61.16
15	1.33	56.93	.85	61.76	.44	64.36	.19	69.47	.69	60.19
16	1.51	56.00	.90	60.82	.45	63.39	.20	68.49	.83	59.24
17	1.67	55.09	.95	59.87	.46	62.42	.21	67.50	.95	58.28
18	1.78	54.18	.98	58.93	.47	61.44	.23	66.51	1.05	57.34
19	1.86	53.27	1.02	57.98	.49	60.47	.24	65.53	1.12	56.40
20	1.90	52.37	1.05	57.04	.51	59.50	.26	64.55	1.20	55.46
21	1.91	51.47	1.07	56.10	.53	58.53	.28	63.56	1.27	54.53
22	1.89	50.57	1.09	55.16	.55	57.56	.29	62.58	1.32	53.60
23	1.86	49.66	1.11	54.22	.57	56.59	.31	61.60	1.34	52.67
24	1.82	48.75	1.14	53.28	.60	55.63	.33	60.62	1.33	51.74
25	1.77	47.84	1.16	52.34	.62	54.66	.35	59.64	1.32	50.81
26	1.73	46.93	1.19	51.40	.65	53.69	.37	58.66	1.31	49.87
27	1.71	46.01	1.22	50.46	.68	52.73	.39	57.68	1.30	48.94
28	1.70	45.09	1.26	49.52	.70	51.76	.41	56.70	1.30	48.00
29	1.71	44.16	1.30	48.59	.73	50.80	.42	55.72	1.31	47.06
30	1.73	43.24	1.35	47.65	.76	49.83	.44	54.75	1.33	46.12
31	1.78	42.31	1.40	46.71	.79	48.87	.46	53.77	1.34	45.18
32	1.83	41.38	1.45	45.78	.81	47.91	.48	52.80	1.37	44.24
33	1.91	40.46	1.50	44.84	.84	46.95	.50	51.82	1.42	43.30
34	2.00	39.54	1.58	43.91	.88	45.99	.52	50.85	1.50	42.36
35	2.11	38.61	1.65	42.98	.92	45.03	.55	49.87	1.59	41.43
36	2.24	37.69	1.76	42.05	.97	44.07	.57	48.90	1.70	40.49
37	2.40	36.78	1.89	41.12	1.03	43.11	.61	47.93	1.83	39.56
38	2.58	35.87	2.04	40.20	1.11	42.15	.65	46.96	1.97	38.63
39	2.79	34.96	2.22	39.28	1.22	41.20	.69	45.99	2.13	37.71
40	3.02	34.05	2.42	38.36	1.34	40.25	.74	45.02	2.32	36.79
41	3.29	33.16	2.64	37.46	1.49	39.30	.80	44.05	2.54	35.87
42	3.56	32.26	2.87	36.55	1.67	38.36	.87	43.09	2.79	34.96
43	3.87	31.38	3.09	35.66	1.89	37.43	.94	42.12	3.06	34.06
44	4.19	30.50	3.32	34.77	2.13	36.50	1.03	41.16	3.35	33.16
45	4.55	29.62	3.56	33.88	2.40	35.57	1.12	40.20	3.66	32.27
46	4.92	28.76	3.80	33.00	2.69	34.66	1.23	39.25	4.01	31.39
47	5.32	27.90	4.05	32.12	3.01	33.75	1.36	38.30	4.42	30.51
48	5.74	27.04	4.33	31.25	3.34	32.85	1.50	37.35	4.88	29.65
49	6.21	26.20	4.63	30.39	3.69	31.96	1.66	36.40	5.38	28.79
50	6.71	25.36	4.96	29.53	4.06	31.07	1.83	35.46	5.89	27.94
51	7.30	24.52	5.31	28.67	4.43	30.20	2.02	34.53	6.42	27.10
52	7.96	23.70	5.70	27.82	4.81	29.33	2.22	33.59	6.99	26.28
53	8.71	22.89	6.15	26.98	5.20	28.47	2.43	32.67	7.61	25.46
54	9.56	22.08	6.61	26.14	5.59	27.62	2.65	31.75	8.30	24.65
55	10.47	21.29	7.09	25.31	5.99	26.77	2.89	30.83	9.02	23.85
56	11.46	20.51	7.57	24.49	6.41	25.93	3.15	29.92	9.78	23.06
57	12.49	19.74	8.03	23.67	6.84	25.09	3.43	29.01	10.59	22.29
58	13.59	18.99	8.47	22.86	7.29	24.26	3.74	28.11	11.51	21.52
59	14.77	18.24	8.94	22.05	7.78	23.44	4.08	27.21	12.54	20.76

Age	Commissioners 1980 Standard Ordinary (1970–1975)				1983 Individual Annuity Table (1971–1976)*				United States Population (1979–1981)	
	Male		Female		Male		Female			
	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
60	16.08	17.51	9.47	21.25	8.34	22.62	4.47	26.32	13.68	20.02
61	17.54	16.79	10.13	20.44	8.98	21.80	4.91	25.44	14.93	19.29
62	19.19	16.08	10.96	19.65	9.74	20.99	5.41	24.56	16.28	18.58
63	21.06	15.38	12.02	18.86	10.63	20.20	5.99	23.69	17.67	17.88
64	23.14	14.70	13.25	18.08	11.66	19.41	6.63	22.83	19.11	17.19
65	25.42	14.04	14.59	17.32	12.85	18.63	7.34	21.98	20.59	16.51
66	27.85	13.39	16.00	16.57	14.20	17.87	8.09	21.14	22.16	15.85
67	30.44	12.76	17.43	15.83	15.72	17.12	8.89	20.31	23.89	15.20
68	33.19	12.14	18.84	15.10	17.41	16.38	9.73	19.49	25.85	14.56
69	36.17	11.54	20.36	14.38	19.30	15.66	10.65	18.67	28.06	13.93
70	39.51	10.96	22.11	13.67	21.37	14.96	11.70	17.87	30.52	13.32
71	43.30	10.39	24.23	12.97	23.65	14.28	12.91	17.07	33.15	12.72
72	47.65	9.84	26.87	12.28	26.13	13.61	14.32	16.29	35.93	12.14
73	52.64	9.30	30.11	11.60	28.84	12.96	15.98	15.52	38.82	11.58
74	58.19	8.79	33.93	10.95	31.79	12.33	17.91	14.76	41.84	11.02
75	64.19	8.31	38.24	10.32	35.05	11.72	20.13	14.02	45.07	10.48
76	70.53	7.84	42.97	9.71	38.63	11.13	22.65	13.30	48.67	9.95
77	77.12	7.40	48.04	9.12	42.59	10.56	25.51	12.60	52.74	9.44
78	83.90	6.97	53.45	8.55	46.95	10.00	28.72	11.91	57.42	8.93
79	91.05	6.57	59.35	8.01	51.76	9.47	32.33	11.25	62.77	8.45
80	98.84	6.18	65.99	7.48	57.03	8.96	36.40	10.61	68.82	7.98
81	107.48	5.80	73.60	6.98	62.79	8.47	40.98	9.99	75.52	7.53
82	117.25	5.44	82.40	6.49	69.08	8.01	46.12	9.40	82.78	7.11
83	128.26	5.09	92.53	6.03	75.91	7.57	51.89	8.83	90.41	6.70
84	140.25	4.77	103.81	5.59	83.23	7.15	58.34	8.28	98.42	6.32
85	152.95	4.46	116.10	5.18	90.99	6.75	65.52	7.77	107.25	5.96
86	166.09	4.18	129.29	4.80	99.12	6.37	73.49	7.28	117.12	5.61
87	179.55	3.91	143.32	4.43	107.58	6.02	82.32	6.81	127.17	5.29
88	193.27	3.66	158.18	4.09	116.32	5.69	92.02	6.38	137.08	4.99
89	207.29	3.41	173.94	3.77	125.39	5.37	102.49	5.98	147.28	4.70
90	221.77	3.18	190.75	3.45	134.89	5.07	113.61	5.60	158.68	4.43
91	236.98	2.94	208.87	3.15	144.87	4.78	125.23	5.26	171.69	4.17
92	253.45	2.70	228.81	2.85	155.43	4.50	137.22	4.94	185.70	3.93
93	272.11	2.44	251.51	2.55	166.63	4.24	149.46	4.64	200.23	3.71
94	295.90	2.17	279.31	2.24	178.54	3.99	161.83	4.37	214.95	3.51
95	329.96	1.87	317.32	1.91	191.21	3.75	174.23	4.12	229.76	3.34
96	384.55	1.54	375.74	1.56	204.72	3.51	186.54	3.88	243.38	3.19
97	480.20	1.20	474.97	1.21	219.12	3.29	198.65	3.65	256.37	3.05
98	657.98	.84	655.85	.84	234.74	3.07	211.10	3.44	268.68	2.93
99	1,000.00	.50	1,000.00	.50	251.89	2.86	224.45	3.22	280.30	2.82
100					270.91	2.66	239.22	3.01	291.20	2.73
101					292.11	2.46	255.95	2.80	301.99	2.64
102					315.83	2.26	275.20	2.59	310.89	2.57
103					342.38	2.08	297.50	2.38	319.70	2.50
104					372.09	1.90	323.39	2.18	327.86	2.44
105					405.28	1.73	353.41	1.98	335.39	2.38
106					442.28	1.57	388.11	1.79	342.33	2.33
107					483.41	1.41	428.02	1.60	348.70	2.29
108					528.99	1.27	473.69	1.43	354.53	2.24
109					579.35	1.13	525.66	1.26	359.88	2.20
110					634.81	1.01	584.46	1.11		
111					695.70	.89	650.65	.97		
112					762.34	.78	724.75	.83		
113					835.06	.70	807.32	.71		
114					914.17	.67	898.89	.60		
115					1,000.00	.50	1,000.00	.50		

Note: Mortality rates contained in the 1980 Commissioners Standard Ordinary Table were obtained from experience of 1970–1975, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1983 Individual Annuity Tables are, again, conservative as related to the actual and projected experience upon which they are based.

*Projected to 1983.

HISTORIC DATES

1759 The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

1789 Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

1794 The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

1812 Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated, the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

1830 New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

1835 A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first policy dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

1840 The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a wid w as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

1842 The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 First policy loans were granted about this time.

1849 New York State passed the first general insurance law.

1851 New Hampshire established the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

1857 New York City established a pension fund for its policemen, the first pension plan covering state or local government employees.

1859 New York State established the first insurance department.

1861 Massachusetts was the first state to require nonforfeiture values as part of life policies.

1861 First war risk insurance written by life companies during Civil War.

1864 The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

1868 American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

1869 U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

1869 Earliest organization of life insurance agents was recorded in Chicago.

1871 First convention of State Insurance Commissioners was held in New York City.

1873 First weekly premium policy was issued in the United States.

1875 Industrial insurance agency system was introduced in the United States.

1875 First pension plan established in U.S. industry by the American Express Company. Financed solely by the employer.

1880 First formal pension plan supported jointly by employer and employee contributions established by Baltimore & Ohio Railroad Company.

1880 Cash surrender values were first established by law in Massachusetts.

1892 Columbia University adopted a pension plan for its professors, at age 65 with a minimum of 15 years service, the first private college retirement plan.

1893 First pension plan for public school teachers was established in Chicago.

1901 Carnegie Steel Company established first enduring pension plan in a manufacturing company. This plan, with some modifications, was taken over by the United States Steel Company in 1911.

1905 Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

1905 First trade union pension plan which actually functioned was established by the Granite Cutters. Earlier trade union plans, Pattern Makers (1900) and National Association of Letter Carriers (1902), never paid benefits before dissolution.

1911 First group life insurance for employees was introduced.

1917 Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; subsequently known as U.S. Government Life Insurance.

1920 The Federal Civil Service Retirement and Disability Fund was created by Congress.

1921 First group annuity contract in the U.S. was issued by Metropolitan Life Insurance Company.

1921 Revenue Act of 1921 made employer contributions to profit sharing trusts tax-exempt. Provisions were extended to pension trusts in 1926.

1928 First examinations were held for Chartered Life Underwriters.

1935 Social Security Act was enacted.

1935 Railroad Retirement System was established and amended in 1937 to create a unified system for the industry.

1939 Temporary National Economic Committee began an investigation of the life insurance business.

1940 National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

1944 U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

1945 McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

1949 The U.S. Supreme Court ruled that employers are required to bargain on pensions.

1952 College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

1954 Federal Employees' Group Life Insurance Act introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies.

1959 Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

1962 H.R. 10 (Keogh Act) adopted (officially the Self-Employed Individual Retirement Act).

Early 1960s Most states which did not already permit life insurance companies to maintain separate accounts passed laws specifically allowing them, thus freeing such pension fund investments from some limitations applicable to the companies' general accounts.

1963–1964 The Securities and Exchange Commission ruled that separate account acquisitions are an issuance of securities subject to regulation under the Securities Act, but tax-qualified group pension plans (including variable annuities) were exempted from registration and prospectus requirements of the Securities Act.

1965 Servicemen's Group Life Insurance Act was introduced, providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

1974 Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 First individual variable life insurance policy was issued in the United States.

1977 The first "universal" life insurance policy was issued in the United States.

1978 The Age Discrimination in Employment Act (ADEA) Amendments of 1978 raised the mandatory retirement age from 65 to 70 for most private sector and state and local government employees and eliminated it for federal employees.

1981 Economic Recovery Tax Act of 1981 was signed into law. Among the provisions of the law are sections that allow all workers to claim tax deductions, within limits, for retirement savings, liberalize tax deductions for retirement savings, interest and dividend exclusions, and reduce or eliminate estate and gift taxes for most persons.

1982 Tax Equity and Fiscal Responsibility Act revised the life insurance company taxation formula and repealed the use of modified coinsurance in tax calculations; imposed a penalty tax on certain annuity withdrawals; placed limitations on pension plan benefits and imposed additional restrictions on certain plans.

1983 The Supreme Court decided in Norris vs. Arizona that employee retirement benefits based on contributions made after August 1, 1983, must be calculated without regard to the sex of the employee.

1983 The Social Security Amendments of 1983 increased Social Security taxes and made a portion of Social Security benefits taxable to high income retirees, put a limit on cost-of-living adjustments under some circumstances, made new federal employees, members of Congress, the President and other federal officials subject to Social Security taxes, and gradually increased the retirement age to 67 by the year 2027.

1984 The Retirement Equity Act of 1984 lowered the minimum age for vesting and participation purposes, required the written consent of the spouse before joint and survivor coverage may be waived under pension plans and required the payment of a survivor annuity in case of a vested participant who dies before the annuity starting date.

1984 The Tax Reform Act of 1984 significantly changed the basis upon which life insurance companies are taxed and included universal life insurance within the definition of life insurance thus preserving its favorable tax treatment.

1985 Montana became the first state to enact legislation forbidding discrimination by sex in the setting of premium rates for all types of insurance, effective October 1, 1985.

1986 The Tax Reform Act of 1986 eliminated the tax deductibility of IRA contributions for highly paid persons who are covered by pension plans, reduced the maximum contribution to salary reduction [401(k)] plans and limited the deductibility of interest paid with respect to loans on corporate-owned life insurance policies.

1987 The Revenue Act of 1987 established new, faster funding requirements for underfunded pension plans, a variable rate PBGC premium and a new, lower full-funding limitation for qualified plans.

1988 The Technical and Miscellaneous Revenue Act created a new class of life insurance contracts, the policy loans and surrender payments of which are subject to taxation rules similar to deferred annuities and made many changes relating to 401(k) plans.

LIFE INSURANCE ORGANIZATIONS
As of October 1, 1990

COMPANY ASSOCIATIONS

American Council of Life Insurance: 1001 Pennsylvania Avenue, N.W., Washington, D.C. 20004-2599; Telephone: 202-624-2000; Chairman of the Board, John E. Fisher; President, Richard S. Schweiker. Represents the life insurance business in legislative and regulatory areas at the federal, state and local levels of government. Provides information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes on issues relevant to the business.

Consumer Credit Insurance Association: 542 S. Dearborn-400, Chicago, Illinois 60605; Telephone: 312-939-2242; Chairman of the Board, Rodney Bucher; President, James W.F. Clark; Executive Vice President, William F. Burfeind, III. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

Insurance Accounting and Systems Association, Inc.: P.O. Box 51340, Durham, North Carolina 27717; Telephone: 919-489-0991; President, W. Kent Fairchild; Secretary-Treasurer, Elaine S. Powell. An international organization to promote the study, research and development of modern techniques in insurance accounting, systems and statistics.

Life Insurance Marketing and Research Association, Inc.: P.O. Box 208, Hartford, Connecticut 06141; Telephone: 203-677-0033; Chairman of the Board, P.P. Porraro; President, Ernest E. Cragg, CLU, FLMI. Works to improve the efficiency of life insurance distribution through scientific management methods, principal source of industry sales and marketing statistics, conducts research, provides management educational services, consulting services, and prepares a wide range of publications. Comprised of 600 members in 50 countries.

Life Insurers Conference: The Pavilion, Suite 301, 5770 Powers Ferry Road, N.W., Atlanta, Georgia 30327; Telephone: 404-933-9955; Chairman, F.W. Lazenby; President, Bruce Dalzell. Comprised of life insurance companies engaged in the sale of home service life and pre-need funeral insurance.

Life Office Management Association: 5770 Powers Ferry Road, N.W., Atlanta, Georgia 30327; Telephone: 404-951-1770; Chairman of the Board, Lynn H. Johnston, FLMI, CLU; President, Lynn G. Merritt. An international association founded in 1924, LOMA is committed to being the preeminent provider of education, research, information sharing and the resources needed to facilitate effective management and operations for members of the insurance and financial services industry.

National Association of Life Companies: 1455 Pennsylvania Avenue, N.W. — Suite 1250, Washington, D.C. 20004; Telephone: 202-783-6252. Chairman of the Board, Roby Dollar; President, S. Roy Woodall, Jr.; Vice President-State Coordinator, Jon C. Ogg. Consists primarily of small- and medium-sized life and health insurance companies.

National Insurance Association: P.O. Box 53230, Chicago, Illinois 60653-0230; Telephone: 312-842-5125; President, Josephine King. Represents companies that principally serve the life insurance needs of black families.

PROFESSIONAL ASSOCIATIONS

American Academy of Actuaries: 1720 I Street, N.W., 7th floor, Washington, D.C. 20006; 475 N. Martingale Road, Suite 800, Schaumburg, Illinois 60173; Telephone: 202-223-8196, Washington, D.C.; 708-706-3513, Schaumburg. President, Mavis A. Walters; Secretary, Virgil D. Wagner; Executive Vice President, James J. Murphy. The Academy is the organization representing actuaries in all practice specialties. Its primary activities include liaison with federal and state governments, relations with other professions, public information dissemination, and the development of standards of professional conduct and practice. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

American Risk and Insurance Association: Department of Finance, College of Business, University of Central Florida, Orlando, Florida 32816; Telephone: 407-281-5567; President, Sandra G. Gustavson, Ph.D., University of Georgia; Executive Director, Dr. David Klock. A society of insurance educators and others interested in risk and insurance education and research.

American Society of CLU & ChFC: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-526-2500; President, Jon W. Webber, CLU, ChFC; Executive Vice President and Managing Director, John R. Driskill, CLU, ChFC. An organization of individuals who have earned a professional designation in the field of financial planning and economic security. Its membership is organized into local chapters and comprises agents, company chief executives, insurance regulators, educators, attorneys, CPAs and bank trust officers.

American Society of Pension Actuaries: 2029 K Street, N.W., Fourth Floor, Washington, D.C. 20006; Telephone: 202-659-3620; President, Alan J. Stonewall; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers an examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

The Association of Life Insurance Counsel: President, Walter G. Nelson; Secretary-Treasurer, Emily S. Crandall, Guardian Life Insurance Company of America, 201 Park Avenue South, New York, New York 10003; Telephone 212-679-1110. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

The Association of Life Insurance Medical Directors of America: One Monarch Place, Springfield, Massachusetts 01133; Telephone: 413-784-6637; President, Lawrence D. Jones, M.D.; Secretary, William J. Baker, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

Conference of Actuaries in Public Practice: 475 N. Martingale Road, Schaumburg, Illinois 60173; Telephone: 708-706-3535; President, Irwin I. Kent; Secretary, Craig A. Olney. Membership composed of consulting actuaries in all disciplines.

Home Office Life Underwriters Association: President, Jeremy S. Holmes, FALU, FLMI, CLU; Secretary, Darrell G. Trenary, Minnesota Mutual Life Insurance Company, 400 N. Robert Street, St. Paul, Minnesota 55101-2098; Telephone: 612-298-3514. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

Institute of Home Office Underwriters: President, Jack W. Rice, AALU; Secretary-Treasurer, John C. Broshar, Munich American Reassurance Company, P.O. Box 3210, Atlanta, Georgia 30302-3210; Telephone: 404-394-5665. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys, and presentation of papers, and through the education program of the Academy of Life Underwriting.

International Claim Association: President, Shirley B. Smith; Secretary, C. Ernest Beane, Modern Woodmen of America, 1701 First Avenue, Rock Island, Illinois 61201; Telephone: 309-786-6481. Comprised of officers and employees of life and health insurance companies who handle the claims function for those companies.

Life Communicators Association: 900 Des Moines Street, Suite 200, Des Moines, Iowa 50309; Telephone: 515-266-2189; President, Ronald A. Malcolm; Secretary, Gail Susan. An organization of professionals engaged in communication in life insurance and related financial services. Conducts annual meetings, seminars, workshops and research projects, and grants awards for outstanding materials produced by members.

The Life Underwriter Training Council: 7625 Wisconsin Avenue, Bethesda, Maryland 20814; Telephone: 301-913-LUTC; Chairman of the Board, David E. Sams, Jr., CLU; President, William A. Klauber, CLU. An organization which provides education and training in life and health insurance, financial services and multiline skills for life underwriters. Students are agents taking part in training courses and seminars sponsored by local life underwriter associations. Successful completion of courses leads to the professional designation, LUTC Fellow (LUTCF), granted by LUTC and The National Association of Life Underwriters.

Million Dollar Round Table: 325 W. Touhy Avenue, Park Ridge, Illinois 60068; Telephone: 708-692-6378; President, Seymour Petrovsky, CLU; Executive Vice President, Roderick L. Geer, CAE, CLU. Composed of life insurance agents who consistently sell the amount of life insurance predetermined annually and maintain membership in the National Association of Life Underwriters.

National Association of Life Underwriters: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, John N. Neighbors, CLU, LUTCF; Executive Vice President, Jack E. Bobo, CLU, FLMI. A federation of state and local associations representing sales professionals in life and health insurance and other financial services. NALU promotes high ethical standards; supports legislation in the interest of policyholders and agents; participates in community service; and provides agent education seminars and sales congresses.

Society of Actuaries: 475 N. Martingale Road, Suite 800, Schaumburg, Illinois 60173; Telephone: 312-706-3500; President, Allan Affleck; Executive Director, John E. O'Connor, Jr. Organization of individuals trained to apply mathematical probabilities to insurance and pension program design. The Society specifically identifies, educates and qualifies individuals to become members; provides continuing education and professional development programs; promotes and publishes actuarial research; and maintains and enforces a professional conduct code for its members. Society membership is based upon successful completion of a rigorous set of examinations leading to the designation of Fellow or Associate in the Society.

OTHER ORGANIZATIONS

The American College: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-526-1000; Chairman of the Board, Marvin D. Bower, CLU; President, Samuel H. Weese, Ph.D, CLU, CPCU. Provides educational programs through the S.S. Huebner School. Offers studies leading to the award of the Chartered Life Underwriter and Chartered Financial Consultant diplomas and professional designations, fosters continued educational growth through its School of Advanced Career Studies, grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences, and the Master of Science in Management through the Richard D. Irwin Graduate School of Management. Accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

The Griffith Foundation for Insurance Education: 941 Chatham Lane, Columbus, Ohio 43221; Telephone: 614-442-8357; President, J. Frederick Reid, CPCU, CLU; Executive Director, Dr. Alan C. Williams, CPCU, CLU. A nonprofit all-lines, all-industry organization devoted to insurance educational activities including career guidance, continuing education and university scholarships.

S.S. Huebner Foundation for Insurance Education: University of Pennsylvania, 309 Colonial Penn Center, 3641 Locust Walk, Philadelphia, Pennsylvania 19104-6218; Telephone: 215-898-9631; Chairman of the Board of Trustees, Lynn Johnston; Chairman of the Administrative Board, Dr. Dan M. McGill; Executive Director, Dr. J. David Cummins. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

Medical Information Bureau: 160 University Avenue, Westwood, Massachusetts 02090; Telephone: 617-329-4500; Chairman of the Board, John P. Carey, M.D.; President, Neil M. Day. A nonprofit association of almost 750 member life insurance companies founded by medical directors providing a central information exchange. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau to alert insurers to inaccuracies, omissions and willful attempts at fraud.

National Association of Insurance Commissioners: 120 West 12th Street, Suite 1100, Kansas City, Missouri 64105; Telephone: 816-842-3600; President, Honorable Earl R. Pomeroy; Executive Vice President, Sandra L. Gilfillan, CLU. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

National Fraternal Congress of America: 1300 Iroquois Drive, Suite 260, P.O. Box 3087, Naperville, Illinois 60566-7087; Telephone: 708-355-6633. President, John G. Bookout; Executive Vice President, Robert E. Miller; Secretary-Treasurer, Jonni L. Miklos. A federation of fraternal benefit societies writing life, accident and health insurance.

National Organization of Life and Health Insurance Guaranty Associations: 13873 Park Center Road, Suite 329, Herndon, Virginia 22071; Telephone: 703-481-5206; Chairman, Robert J. Hasling; Executive Director, Eden D. Sarfaty. A nonprofit organization that assists its members in handling multistate insolvencies, acts as a clearinghouse for information and provides a forum for resolution of issues and problems arising from the operation of the state life and health insurance guaranty associations.

GLOSSARY

A

Accidental death benefit. A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."

Actuary. A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.

Adjustable life insurance. A type of insurance that allows the policyholder to change the plan of insurance, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.

Agent. A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters or field underwriters.

Annuitant. The person during whose life an annuity is payable, usually the person to receive the annuity.

Annuity. A contract that provides a periodic income at regular intervals for a specified period of time, such as for a number of years or for life.

Annuity certain. A contract that provides an income for a specified number of years, regardless of life or death.

Annuity consideration. The payment, or one of the regular periodic payments, an annuitant makes for an annuity.

Application. A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of risk.

Assignment. The legal transfer of one person's interest in an insurance policy to another person.

B

Beneficiary. The person named in the policy to receive the insurance proceeds at the death of the insured.

Broker. A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and or several companies.

Business life insurance. Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.

C

Cash surrender value. The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Certificate. A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.

Claim. Notification to an insurance company that payment of an amount is due under the terms of a policy.

Convertible term insurance. Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance. Credit life insurance. Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.

Covered participant. A person covered by a pension plan is one who has fulfilled the eligibility requirements in the plan, for whom benefits have accrued, or are accruing, or who is receiving benefits under the plan.

D

Declination. The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.

Deferred annuity. An annuity providing for the income payments to begin at some future date.

Deferred group annuity. A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.

Defined Benefit Plan. A pension plan stating either (1) the benefits to be received by employees after retirement or (2) the method of determining such benefits. The employer's contributions under such a plan are actuarially determined.

Defined Contribution Plan. A plan under which the contribution rate is fixed and benefits to be received by employees after retirement depend to some extent upon the contributions and their earnings.

Deposit administration group annuity. A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.

Deposit term insurance. A form of term insurance, not really involving a "deposit," in which the first-year premium is larger than subsequent premiums. Typically, a partial endowment is paid at the end of the term period. In many cases the partial endowment can be applied toward the purchase of a new term policy or, perhaps, a whole life policy.

Disability benefit. A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.

Dividend. A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.

Dividend addition. An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.

E

Employee Stock Ownership Plan (ESOP). A defined contribution pension plan which is designed to invest primarily in employer securities.

Endowment. Life insurance payable to the policyholder if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

Expectation of life. (See: *Life Expectancy.*)

Extended term insurance. A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.

F

Face amount. The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.

Family policy. A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and small amounts of term insurance on the other spouse and children, including those born after the policy is issued.

Flexible premium policy or annuity. A life insurance policy or annuity under which the policyholder or contractholder may vary the amounts or timing of premium payments.

Flexible premium variable life insurance. A life insurance policy that combines the premium flexibility feature of universal life insurance with the equity-based benefit feature of variable life insurance.

401(k) Plan. A salary reduction plan that allows employees to contribute a portion of their salaries on a tax-deferred basis.

Fraternal life insurance. Life insurance provided by fraternal orders or societies to their members.

G

Geographic divisions (in the United States)

NORTHEAST
- New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Middle Atlantic: New Jersey, New York, Pennsylvania

MIDWEST
- East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

SOUTH
- South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East South Central: Alabama, Kentucky, Mississippi, Tennessee
- West South Central: Arkansas, Louisiana, Oklahoma, Texas

WEST
- Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
- Pacific: Alaska, California, Hawaii, Oregon, Washington.

Grace period. A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Group annuity. A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group life insurance. Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.

I

Immediate annuity. An annuity providing for payment to begin immediately.

Individual policy pension trust. A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.

Individual Retirement Account (IRA). An account to which an individual can make annual contributions of 100% of earnings up to $2,000 ($2,250 for a one-income married couple). These contributions are tax deductible for most workers.

Industrial life insurance. Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. Sometimes referred to as debit insurance.

Insurability. Acceptability to the company of an applicant for insurance.

Insurance examiner. The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.

Insured or Insured life. The person on whose life the policy is issued.

K

Keogh (HR 10) Account. An account to which a self-employed person can make annual tax deductible contributions of the lesser of 25% of income or $30,000.

L

Lapsed policy. A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

Legal reserve life insurance company. A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.

Level premium life insurance. Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.

Life annuity. A contract that provides an income for life.

Life expectancy. The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Life insurance in force. The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

Limited payment life insurance. Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.

M

Master policy. A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.

Mortality table. A statistical table showing the death rate at each age, usually expressed as so many per thousand.

Mutual life insurance company. A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.

N

Nonforfeiture option. One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.

Nonmedical limit. The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Nonparticipating policy. A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also: *Participating policy*)

O

Ordinary life insurance. Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.

P

Paid-up insurance. Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.

Participating policy. A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also: *Policy dividend; Nonparticipating policy*)

Permanent life insurance. A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.

Policy. The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.

Policy dividend. A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.

Policy loan. A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.

Policy reserves. The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.

Policyholder. The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership or a corporation.

Premium. The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy.

Premium loan. A policy loan made for the purpose of paying premiums.

Q

Qualified Plan. A plan which the Internal Revenue Service approves as meeting the requirements of Section 401(a) of the 1954 Internal Revenue Code. Such plans receive tax advantages.

R

Rated policy. Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or a hazardous occupation.

Reduced paid-up insurance. A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.

Renewable term insurance. Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.

Reserve. The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.

Rider. A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.

Risk classification. The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications. (See: *Underwriting*)

S

Self-Administered (Trusteed or Directly Invested) Plan. A plan funded through a fiduciary, generally a bank, but sometimes a

group of individuals, which directly invests the accumulated funds. Retirement payments are made from the fund as they fall due.

Separate account. An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

Settlement options. The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. (See also: *Supplementary contract*)

Stock life insurance company. A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.

Straight life insurance. Whole life insurance on which premiums are payable for life.

Supplementary contract. An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.

T

Term insurance. Life insurance payable to a beneficiary only when an insured dies within a specified period.

U

Underwriting. The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.

Universal life insurance. A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amount or timing of premium payments. Premiums (less expense charges) are credited to a policy account from which mortality charges are deducted and to which interest is credited at rates which may change from time to time.

V

Variable annuity. An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities market values, a cost of living index, or some other variable factor.

Variable life insurance. Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.

W

Waiver of premium. A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.

Whole life insurance. Life insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

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